

# **Cape Breton Regional Municipality**

## **Viability Study Steering Committee**

### **AGENDA**

**Tuesday, July 9, 2019  
9:30 a.m.**

**Council Chambers  
2<sup>nd</sup> Floor, City Hall  
320 Esplanade, Sydney, N. S.**

**Committee Members:**

**Councillor Darren Bruckschwaiger, Chair  
Councillor Earlene MacMullin  
Councillor Eldon MacDonald  
Councillor Ray Paruch  
Councillor George MacDonald  
Citizen Carmen Dunn  
Citizen James Kerr  
Marie Walsh, Chief Administrative Officer  
Jennifer Campbell, Chief Financial Officer  
John MacKinnon, Director of Technology, Vice Chair  
Ron Dauphinee, Department of Municipal Affairs  
Kathy Cox-Brown, Department of Municipal Affairs**

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### **Roll Call**

1. **Approval of Minutes:** (previously distributed)
  - December 3, 2018
  - December 12, 2018
2. **Approval of the Agenda** (motion required)
3. **Viability Study Draft Recommendations Report:** Mr. Ricky Soni, Grant Thornton, Project Manager (See page 3)

### **Adjournment**

# Viability Study

## **Cape Breton Regional Municipality**

### Draft Recommendations Report

July 9<sup>th</sup>, 2019

DRAFT

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## Authorship

This report is prepared by Grant Thornton LLP (Grant Thornton) for the Cape Breton Regional Municipality (referred to as the CBRM, Municipality, or Regional Municipality throughout) Viability Study Steering Committee (referred to as Steering Committee). This report is based on information and documentation that was made available to Grant Thornton as well as information obtained from third party sources prior to the time of drafting the report. Much of the information was gathered from interviews with and documents provided by Steering Committee members and key CBRM staff. As such, Grant Thornton assumes no responsibility and makes no representations with respect to the accuracy or completeness of any information provided to us. We are not guarantors of the information which we have relied upon in preparing our report, and except as stated, we have not attempted to verify any of the underlying information or data contained in this report. It is understood and agreed that all decisions in connection with the information as presented in this report shall be the responsibility of, and be made by the CBRM.

This report was prepared for the CBRM Steering Committee in relation to the viability study consulting engagement. This report is not to be used for any other purpose, and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described.

## Executive Summary

In December 2018, Grant Thornton was engaged by the CBRM Viability Steering Committee to conduct a comprehensive multi-phased viability study of the region. The study included an assessment of the current state of taxation, municipal services, and infrastructure. Following the analysis, the Grant Thornton project team conducted a benchmarking exercise against peer cities to assess the CBRM's comparable levels of taxation and services and overall competitive advantages. Lastly, the project team synthesized information from both internal and external sources to inform three different future population scenarios for the CBRM. The themes of the scenarios were categorized as *status quo*, *optimistic*, and *pessimistic*, with each scenario exhibiting a different population projection based on ten and twenty year timelines. The projections were then used to assess what circumstances which would influence the likelihood of each scenario coming to fruition. Recommendations for consideration were developed for the CBRM Steering Committee with the intent to increase the likelihood of achieving the optimistic future state scenario.

Charting the study's findings into the competitive advantage framework provided insight into the factors influencing the continued viability of the region. The four areas of the framework (economic health, business and policy environment, livability, and human capital) were selected based on established criteria for assessing the competitiveness and prosperity of municipalities<sup>1</sup>. The study confirmed a common theme shared by many individuals who have lived in or visited the island of Cape Breton; the region is characterized by its beautiful natural assets, welcoming and safe communities. However, outward migration has occurred largely due to sluggish economic growth and higher than average unemployment rates.

The study reaffirmed a number of perspectives that are well established in the region while providing additional insight into the realities of the current situation. An assessment of municipal services and taxation levels revealed a trend of departments stretching internal resources and tangible assets to levels that exceeded benchmarking participants in the majority of areas assessed, often by a significant margin. Furthermore, the areas under the CBRM's direct control consistently aligned with the identified

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<sup>1</sup> List of reference reports are available in Appendix A

competitive advantages (i.e. policing and the relatively low level of crime). The resulting implications are that the majority of conditions that are most significantly influencing the regions viability are largely outside of the municipal government's control. Decreasing service levels could potentially weaken the CBRM's current competitive position while providing minimal benefits to the municipality's financial position, while any significant increases to taxes could accelerate economic challenges by lowering discretionary income among residents. Residents and businesses continue to look for the CBRM to replace and repair aging infrastructure, but prudent financial measures made by the current and previous administration have largely been minimized due to increasing mandatory costs from regulatory requirements and a trend of declining net funding from higher levels of government.

While the region has undoubtedly faced challenges, the communities have shown a resiliency and unwavering conviction for a better tomorrow, and with several emerging opportunities providing a level of optimism for the future. The CBRM has refocused its efforts on creating a new economic identity while not losing the culture and heritage of the generations past. The municipal government's ability to effectively resolve the region's issues independently is not realistic. Rather, collaboration, partnership, and investment from the institutional (i.e. post-secondary education institutions), and private sectors (e.g. real estate and land developers) is required to ensure the CBRM remains a viable municipality in the future.

## Background

In 1992, the Province of Nova Scotia commissioned a report on local governments to assess the options for creating a more efficient governance model among the 67 different municipalities across Nova Scotia<sup>2</sup>. The report's recommendations included consolidating the numerous towns and counties into amalgamated regional municipalities. The CBRM came into existence in 1995 and consisted of the City of Sydney, the Towns of Glace Bay, Sydney Mines, New Waterford, North Sydney, Dominion, Louisbourg, and the Municipality of the County of Cape Breton, comprising over 120,000 people living across 2600km<sup>3</sup>. While the case for amalgamation was well documented, the process for consolidating multiple entities under a centralized governance model was complex and challenging.

To further complicate the situation, while the CBRM focused on managing the development of a new governance structure, the region experienced the closure of two of its largest industries in the early 2000s, significantly impacting the economy<sup>4</sup>. This led to increased levels of unemployment and an outmigration trend, which has continued to impact the CBRM<sup>5</sup>.

As the CBRM approaches 25 years post-amalgamation, consolidation and coordination efforts have occurred throughout the general governmental administration and services provided to the residents of the CBRM. As the trend of population decline continues to influence funding and future planning, the costs incurred by the CBRM continue to rise<sup>6</sup>. Investment in some classes of infrastructure have been forgone in order to provide the necessary revenues to cover operating costs, yet the ability to continue the practice is being tested as the life-span of numerous assets are long overdue<sup>7</sup>. Concessions of this nature are made in an effort to better position the region for the future. However, external factors (such as the level of provincial funding, mandatory contributions, new and expensive regulations such as water/wastewater, and fire/police binding arbitration, etc.) are outside of the direct control of the CBRM. As the municipal region continues to transition and develop a diversified economy, it has displayed its resiliency and creativeness in the face of these difficult circumstances. The stakeholders, ranging from the

<sup>2</sup> Government of Nova Scotia, Task Force on Local Government, April, 1992

<sup>3</sup> The Cape Breton Regional Municipality At The End Of The 20<sup>th</sup> Century, Planning Department, March 31, 1999

<sup>4</sup> Final ICSP Report, Cape Breton Regional Municipality Integrated Community Sustainability Plan, Stantec, March 30, 2010

<sup>5</sup> Ibid

<sup>6</sup> CBRM's total budget expenditures have increased 23.07% over 10 years as per Annual Expenditure Reports provided by the CBRM.

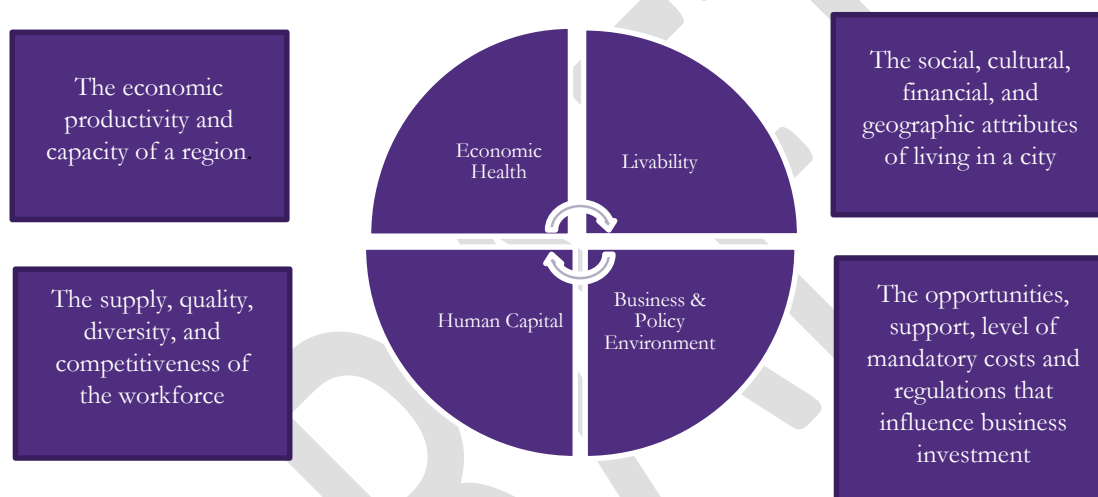
<sup>7</sup> Annual infrastructure deficits for EPW are estimated by CBRM staff to have been approximately \$25M annually (consultation with CBRM staff)

Province to property owners within the CBRM, require an assessment of how long the current trajectory can continue before significant change is required, and what the potential options and implications are for a viable and sustainable path forward.

## Competitive Advantage Framework

An assessment of the future viability of the CBRM ultimately rests upon the CBRM's continued ability to attract and retain future residents. As such, the competitive framework will focus on four factors that determine and influence the attractiveness of a municipality. The four factors were identified as consistent characteristics that were assessed in previously conducted reports focusing on the level of prosperity and competitiveness of cities<sup>8</sup>. The four areas are 1) Livability, 2) Economic Health, 3) Business & Policy Environment, and 4) Human Capital. A summary of the attributes of each category are included in the tables below:

**Table 1: Competitive Framework**



The areas are interdependent, each directly or indirectly influencing the other categories. The rationale is the more favourable the business environment and available human capital, the greater the level of private investment, leading to improvements in the economic health and overall livability of the region, which in turn continue to support further improvements to the business environment and human capital. The attributes of the four areas are provided in the following table:

**Table 2: Characteristics of Competitive Areas**

	1) Livability	2) Economic Health	3) Business and Policy Environment	4) Human Capital
Attributes	<ul style="list-style-type: none"> <li>• Cost of Living</li> <li>• Housing</li> <li>• Weather</li> <li>• Transportation options and commute times</li> <li>• Availability and quality of healthcare</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity of industries</li> <li>• Level of private investment</li> <li>• Level of infrastructure necessary for industrial development</li> </ul>	<ul style="list-style-type: none"> <li>• Measure of a municipality's investment attractiveness</li> <li>• The level of entrepreneurship and innovation</li> <li>• The mandatory costs of doing business (i.e.</li> </ul>	<ul style="list-style-type: none"> <li>• The breadth and depth of accessible higher education</li> <li>• The level and number of suitable applicants for specific roles</li> <li>• The unemployment level</li> <li>• Intellectual capital</li> </ul>

<sup>8</sup> Sources included in the frameworks development are available in the appendix A

	<ul style="list-style-type: none"> <li>• Education accessibility</li> <li>• Level of essential social services</li> <li>• Culture</li> <li>• Recreation (facilities, social opportunities)</li> <li>• Natural assets (parks and lakes)</li> <li>• Level and types of crime</li> <li>• Accessibility (access to airports and major travel routes)</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility and participation in external markets</li> <li>• Level and types of natural resources</li> <li>• Gross Domestic Product</li> </ul>	<ul style="list-style-type: none"> <li>level of commercial taxation, service fees, corporate tax)</li> <li>• Available funding and support programs</li> <li>• Cost of labour</li> <li>• Regulatory burden</li> </ul>	<ul style="list-style-type: none"> <li>• The average level of specialization and education obtained by residents</li> <li>• The labour participation rate</li> <li>• Population growth</li> <li>• Diversity</li> </ul>
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Based on the information synthesized during our review of the CBRM, the following competitive strengths and challenges of the region are:

**Table 3: Competitive Strengths and Challenges Summary**

Areas	Strengths	Challenges
<b>1) Livability</b>	<ul style="list-style-type: none"> <li>• One of the lowest costs of housing in Canada<sup>9</sup>.</li> <li>• A beautiful region that is recognized for its natural assets, recreational amenities (ski, golf, hiking), and cultural heritage.</li> <li>• Low crime rate, with a reputation for safe and friendly communities.</li> <li>• Owning a vehicle ensures relatively short commute times throughout the region.</li> <li>• Although property tax rates are comparatively high, the low cost of housing results in a comparatively low residential tax burden.</li> </ul>	<ul style="list-style-type: none"> <li>• Large geographic region with a declining population creates service challenges and a costly network of infrastructure to maintain.</li> <li>• A lack of employment opportunities have contributed to a consistent level of outmigration.</li> <li>• There appears to be a lack of accessible housing options for an aging population.</li> <li>• Healthcare accessibility has been cited as an on-going challenge that has the potential to accelerate based on the older demographic makeup of the population.</li> <li>• Accessibility to larger transportation hubs can be time consuming and costly.</li> </ul>
<b>2) Economic Strength</b>	<ul style="list-style-type: none"> <li>• Development of a new port berth is increasing tourism through increased cruise ship traffic.</li> <li>• The University is increasingly attracting international students to its programs, evolving to a key economic driver in the region.</li> </ul>	<ul style="list-style-type: none"> <li>• A decline in traditional industrial drivers (fishing, forestry) has resulted in a relatively flat industrial sector.</li> <li>• A lower level of discretionary income among residents contributes to economic challenges.</li> </ul>

<sup>9</sup> Bertaud, Alain, 15<sup>th</sup> Annual Demographia International Housing Affordability Survey, Performance Urban Planning, 2019.



	<ul style="list-style-type: none"> <li>Investment in logistics and warehousing infrastructure is generating optimism and attracting potential investment.</li> <li>First Nation communities within the CBRM provide valuable investment and partnership opportunities.</li> <li>Emerging innovations in several industries are shaping feasible opportunities for economic growth, many of which the CBRM is well positioned to benefit from.</li> </ul>	<ul style="list-style-type: none"> <li>Productivity and economic potential of the region was comparatively lower than other regions.</li> <li>Export demand and capacity would be considered low.</li> <li>Infrastructure needs negatively contribute to the economic strength of the region.</li> </ul>
<b>3) Business and Policy Environment</b>	<ul style="list-style-type: none"> <li>New commercial development incentives are an example of the municipal government's efforts to proactively transition to a more business friendly environment willing to work with the private sector to invest in the CBRM's future.</li> <li>A relatively high-level of consistency regarding significant government policy improves uncertainty and volatility.</li> <li>The comparatively lower median household income suggests a lower cost of labour for potential private sector businesses.</li> <li>Establishment of the regional enterprise network for the CBRM.</li> </ul>	<ul style="list-style-type: none"> <li>The overall tax burden in the region (the combined total from all levels of government) combined with mandatory living costs (i.e. utilities) compared to median household income results in a low level of discretionary income, limiting the attractiveness of launching a new business.</li> <li>The level of entrepreneurship and advancements in growth related sectors is lagging behind cities like Halifax, resulting in intraprovincial migration.</li> <li>Accessing the necessary capital to launch potential businesses can be challenging due to the perceived risk and historic economic trend of the region<sup>10</sup>.</li> <li>The on-going outmigration has influenced the risk in the region.</li> </ul>
<b>4) Human Capital</b>	<ul style="list-style-type: none"> <li>The increased rate of international students, focused education institutions, and upcoming attrition in government positions will contribute to retaining and growing the workforce.</li> <li>A focus on commercialization of the "creative economy" aligns with growth in tourism strategies.</li> <li>Improvements to technology over the past decade have improved accessibility of information and opportunities within the global economy.</li> </ul>	<ul style="list-style-type: none"> <li>Aging population which is heavily weighted in the 50+ age categories is causing concern for the composition of the future labour pool.</li> <li>The labour participation rate is below national averages, while the unemployment rate is significantly higher.</li> <li>The CBRM has a comparatively low number of individuals that have obtained a postsecondary certificate, diploma or degree (in 2016, representing approximately 48% of the applicable population<sup>11</sup>).</li> </ul>

<sup>10</sup> This was based on consultations with members of the CBRM, confirmation with financial institutions would be made on a case by case basis.

<sup>11</sup> Stats Canada, CBRM, 2016 Census.

## Municipal Influence:

The municipality has both direct and indirect means of influencing the selected areas of competitive position. For example, a number of characteristics that influence livability are directly related to municipal services and policy (i.e. transportation, policing, and residential property taxation), whereas aspects such as economic health are largely outside of the realm of control for a municipal government. A summary of municipal mechanisms of influence are as follows:

**Table 4: Municipal Influence on Competitive Advantage**

Area	1) Livability	2) Economic Health	3) Business and Policy Environment	4) Human Capital
<b>Type of Municipal Influence</b>	<b>Direct</b> – Several areas relating to livability are directly under municipal control, including aspects of cultural services, social services, recreation, transit and essential services.	<b>Indirect</b> – The economic health of the region is indirectly influenced by municipal taxation, grants, subsidies, and the level of infrastructure in the region.	<b>Direct</b> – The municipal government can directly influence the business and policy environment through commercial tax rates, zoning, development policies, subsidies (although in a limited capacity to the private sector under the MGA), and contributions to economic development initiatives.	<b>Indirect</b> – The municipal government can support skills building initiatives and provide community grants to support individual scholarships in addition to the skills training and professional development provided to municipal employees.

A summary of potential opportunities and threats identified in the analysis include:

**Table 5: Opportunities and Threats**

Opportunities	Threats
<ul style="list-style-type: none"> <li><b>Development of the Second Port Berth</b> – Increasing the accessibility to the region bolsters the destinations tourism potential and external influx of capital. As a destination for Cruise ships, the port has increased significantly following redevelopment.</li> </ul>	<ul style="list-style-type: none"> <li><b>Population</b> – The continued decline in the CBRM's population, specifically young adults and families, remains one of the most significant threats to future viability.</li> </ul>
<ul style="list-style-type: none"> <li><b>Port Commercialization</b> – Background documentation revealed the continued planning and feasibility assessment of developing a container facility to support the advancement of the areas transportation and warehousing capacities.</li> </ul>	<ul style="list-style-type: none"> <li><b>Economic Health</b> – A lack of economic opportunity continues to be the most significant factor influencing outmigration. The population will not reverse the current trajectory without a reversal in the level of economic opportunities.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Relocation of the Nova Scotia Community College</b> – The NSCC transitioning to a new facility in downtown Sydney would provide an immediate boost to densification efforts and the associated benefits to businesses and municipal services.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Real Estate</b> – The high number of vacant homes and relatively high ratio of dwelling units to population contribute to a growing surplus of properties that aren't finding buyers in an efficient manner, presenting potential risks to specific properties.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Tourism</b> – The natural assets of the region remain strong tourist destinations, with the addition of world class golf courses (Cabot Links and Cabot Cliffs), regional cuisine, and a growing number of Nova Scotian wineries, breweries, and distilleries contributing to growth in tourism for all of Nova Scotia. Additionally, the growing number of hosted sporting events (i.e. Scotties Tournament of Hearts) are contributing to growth specific to the CBRM.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Environmental</b> – As a coastal region, the risks posed from rising oceans and intensifying storms have the potential of escalating in the future, posing both economic and environmental concerns.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Real Estate</b> – The abundance of available land, innovations in building technology, and affordable land costs all present an attractive opportunity to refocus development in specific strategic areas.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Specialization</b> – The economic identity of regions are often characterized by clusters of specialized industrial sectors (i.e. Silicon Valley, Alberta's oil and gas sector). The CBRM doesn't exhibit a strong focused cluster in a specific area.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Aquaculture</b> – Sustainable aquaculture is projected to experience significant growth and demand in the future. With the future health of the oceans continuing to receive grim warnings from environmental experts, the demand for sustainable fish production will increase as the world's population continues to grow.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Infrastructure</b> – The current health of the overall infrastructure in the region requires significant capital investment, while growth related projects necessary to progress strategic initiatives are also require funding needs. The reality is the funds are simply not available for all projects, and delaying strategic priorities could negatively influence economic challenges.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Emerging Industries</b> – Technological innovations continue to provide opportunities in sectors ranging from industrial agriculture to advanced manufacturing. The feasibility of new enterprises and ventures is increasing with the introduction of new technology and markets. Additionally, the municipality and Membertou First Nation have exhibited a collaborative relationship for successfully progressing mutually beneficial projects. The recent creative economic plan highlights innovative ways local entrepreneurs are commercializing both arts and culinary interests.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Technological</b> – The level of broadband internet connectivity is increasingly playing a critical role in municipal competitiveness. Additionally, the level that technological innovation is utilized by both residents and municipal governments are providing significant efficiencies and advantages<sup>12</sup>. The CBRM's current level of both appears to lagging when compared to other regions.</li> </ul>

<sup>12</sup> Macomber, John D., Building Sustainable Cities, Harvard Business Review, July 2013.

## Future Population Scenarios

### Projection Model

The CBRM experienced a population decline from 109,330 in 2001, to 94,285 in 2016, averaging a decline of approximately 1,000 people per year, representing an annualized rate of -0.98%. These figures are aligned with trends from the prior year. The decline in population surpassed the projections of previously conducted studies that anticipated a flattening of the trend as time progressed<sup>13</sup>. As noted throughout our study, population decline, specifically the decline of the 18-30 year old demographic, remains one of the most significant threats to the CBRM's viability.

The following projections outline three distinct future population scenarios;

- 1) Status quo trend (reference scenario);
- 2) Accelerated population decline (pessimistic scenario); and
- 3) Trend reversal resulting in modest growth (optimistic scenario).

Additionally, in order to determine the impact of population change on the CBRM's budget, the three population scenarios, ceteris paribus, were used to assess the impact on CBRM's annual budget projections.

Overall population projections for the three scenarios over the next 10 and 20 years are as follows:

**Table 6: Projections Summary**

Year	2019	2029	2039
Scenario			
Reference	91,413	83,669	73,306
Pessimistic	91,413	79,814	65,424
Optimistic	91,413	93,873	107,353

### Methodology

The following are key determinants used to project population forecasts across the three (3) scenarios:

1. Birth rate
2. Survivability rate
3. Net migration

Refer to **Appendix B** for an elaborate approach and methodology used to determine population projections for CBRM.

<sup>13</sup> Environmental Design and Management Limited, Population Projections for Cape Breton Regional Municipality 2006-2021, 2008.

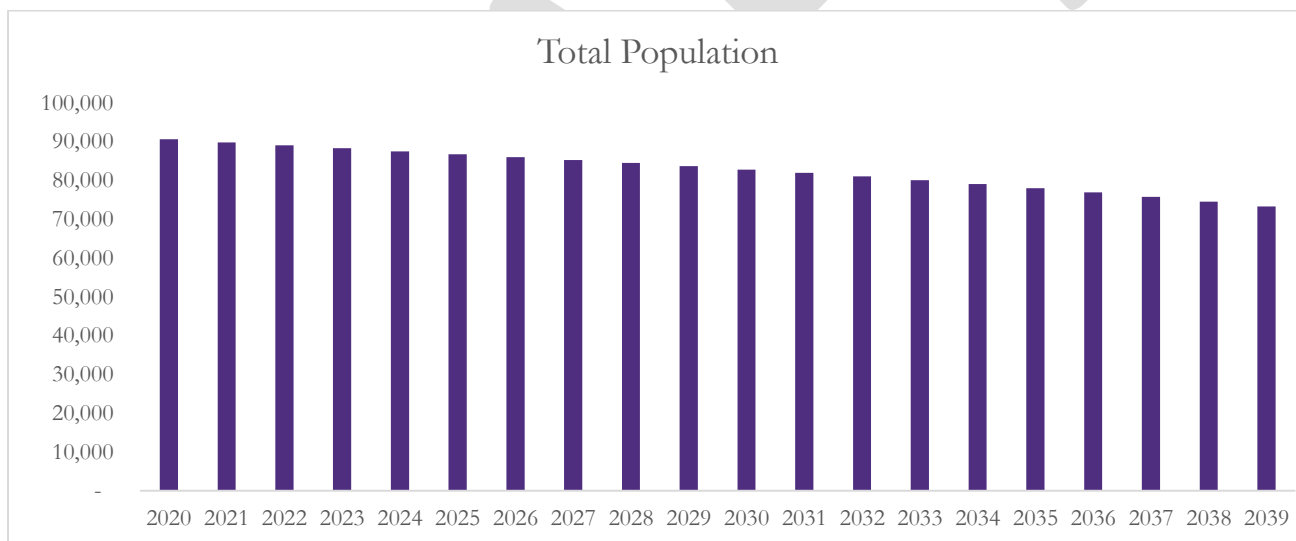
## Reference Scenario

The CBRM's population declined by approximately 7.80% from 102,260 in 2006 to 94,285 in 2016.<sup>14</sup> Based on the current state and comparative state assessment, it appears that the population decline is likely to continue declining and the rate of decline will accelerate as more of the young population (age bracket 20-44) leave due to limited employment opportunities. In this scenario, this is likely to further result in the CBRM's population declining by 8.47% from 91,413 in 2019 to 83,669 in 2029.

**Table 7: Status Quo Projections**

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Total Population</b>	90,588	89,796	89,028	88,276	87,531	86,786	86,034	85,268	84,481	<b>83,669</b>
<b>Growth/decline in population</b>	-	-0.87%	-0.85%	-0.84%	-0.84%	-0.85%	-0.87%	-0.89%	-0.92%	0.96%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
<b>Total Population</b>	82,825	81,945	81,025	80,063	79,055	78,000	76,898	75,748	74,550	<b>73,306</b>
<b>Growth/decline in population</b>	-1.01%	-1.06%	-1.12%	-1.19%	-1.26%	-1.33%	-1.41%	-1.50%	-1.58%	1.67%



### Influencing factors:

In the Reference scenario, the historical trend in population change over the last 10 years is likely to continue to remain the same over the next five (5)-ten (10) years. However, due to a continued decline in population over the next ten years, from 2029, the rate of population decline is likely to increase significantly from 0.96% annual decline to 1.67% decline in 2039. The rate of population decline is likely to be higher as consumption in the CBRM will likely decline to a level wherein employment opportunities may significantly drop, presumably resulting in tepid growth and faster outmigration.

Illustrative budgetary impacts are presented for each scenario based on assumptions. For the purposes of this forecast, it is assumed that the CBRM's taxation revenues will be factored based on its population<sup>15</sup>,

<sup>14</sup> Statistics Canada, 2006 and 2011 Census, 2019

<sup>15</sup> Assumption: The three key assumptions that impact the projections of total revenues collected by CBRM are amount of taxes (\$) paid per household, number of people per household and proportion of tax revenues of total CBRM revenues. On the basis of historical trend and analysis, it is assumed that the

the CBRM will continue to receive similar levels of outside funding (grants, Municipal Fiscal Capacity Grant., gas tax, etc.), and its expenditures will remain consistent (as the cost to deliver some municipal services will be highly correlated with population, while many other municipal services are largely fixed and may potentially increase). In order to ascertain an illustrative impact on CBRM's budget, Consumer Price Inflation (CPI) is not factored into project expenditures. Currently the annual wage increases due to collective agreements are greater than the CPI factor, further adding to the total expenditure burden. In order to counterbalance this assumption, revenues are not projected to grow due to any factor except a change in population, which directly impacts tax revenues. It is important to note here that although CBRM's population declined by 0.81%<sup>16</sup> annually between 2009 and 2019, the total gross revenues collected by the municipality rose by 1.92%<sup>17</sup> annually for the same period. The increase in revenues was on account of an increase in provincially mandated costs (discussed in the Theme 3, Part Two of Current State Assessment) and on-going increases to the assessed value of properties. In the same period the residential tax revenue per dwelling unit increased by approximately 4% from \$1,015 in 2009 to \$1,510 in 2019<sup>18</sup>. Going forward, if population continues to decline at the same rate and revenues increase at the same rate, the tax burden per dwelling unit would amount to \$2,245 in year 2029 and \$3,338 in 2039<sup>19</sup>. As shown in the table in Appendix C, projected deficits occur solely due to a decrease in projected revenues, a function of change in population. **Therefore, the illustrative impact on operating budget tables (Appendix C) reflect a nominal analysis as opposed to a real analysis.**

In continuation to the impact of the population on the operating budget, the potential impact to the infrastructure deficit of the CBRM was ascertained. The CBRM has projected to spend approximately \$224M over the next four (4) years from year 2020 to 2024, translating to \$56M annually. Historically, CBRM has invested \$30M-\$35M annually on capital projects. Evidently, CBRM projects to spend an additional \$16M-\$28M annually over the next four (4) years, however, this annual incremental investment is not factored in the infrastructure deficit projections. The rationale to forecast the potential infrastructure deficit is to depict a relationship only between the change in population and resulting infrastructure deficit. In the table below, the infrastructure deficit appears to grow at approximately 7% per annum, which is essentially a function of infrastructure depreciation. It is critical to understand that the depreciation rate of public infrastructure and capital depends on the infrastructure maintenance investment throughout the lifecycle of the respective infrastructure. As the investment on infrastructure maintenance decreases, the depreciation rate of the infrastructure increases. Conversely, if the infrastructure maintenance investment increases, the depreciation rate decreases. Therefore, increasing levels of maintenance will have diminishing returns for the CBRM. Evidently, going forward, accurate identification of the amount required for infrastructure spending, sources of funding and, a robust asset management plan will be paramount for the CBRM to overcome an acceleration of the infrastructure deficit.

The methodology assumes the variables- *annual depreciation rate, change in population and operating surplus/deficit*- will impact future infrastructure deficit. The methodology does not factor in any future capital projects for the purpose of the illustrative impacts on future infrastructure deficit. Refer to Appendix B for an elaborate approach used to project infrastructure deficit of CBRM.

#### **Table 8: Reference Projections Summary**

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amount of taxes paid per household would remain the same at \$1,510, number of people per household would remain the same at 1.98 residents per household and proportion of residential tax revenues of total revenues would remain 48%.

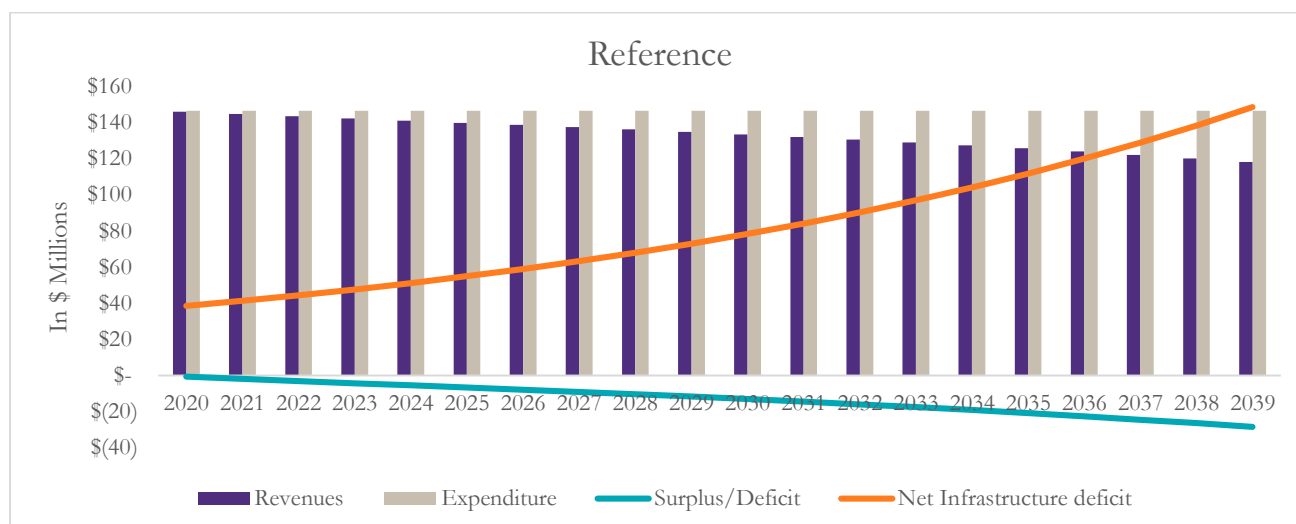
<sup>16</sup> CBRM Annual Budgets, Stats Canada, Grant Thornton analysis, 2019

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Grant Thornton analysis





### Influence on municipal services and the viability of municipal services:

With the continuation of the historic population trend, the proportion of older population (i.e. individuals aged 65 and upwards) is likely to increase from 28% in 2019 to 44% in 2029. This is likely to result in lower revenue from certain income streams, such as utilisation of recreation centres, and higher demand for certain subsidized services such as senior-specific public transportation.

Also, facing an increasingly dwindling population over the next 10-20 years, the CBRM is likely to continue facing a declining tax base, a major challenge in sustaining the municipal operations compounded by fixed and unavoidable costs, such as those borne by binding arbitration and collective agreements with several municipal departments. Consequently, these costs would necessitate an increase in tax rates to allow the CBRM to be sustainable. However, such a scenario would lead to a vicious cycle - a depressed economic sentiment compounded with increased taxes- , further accelerating the rate of population decline.

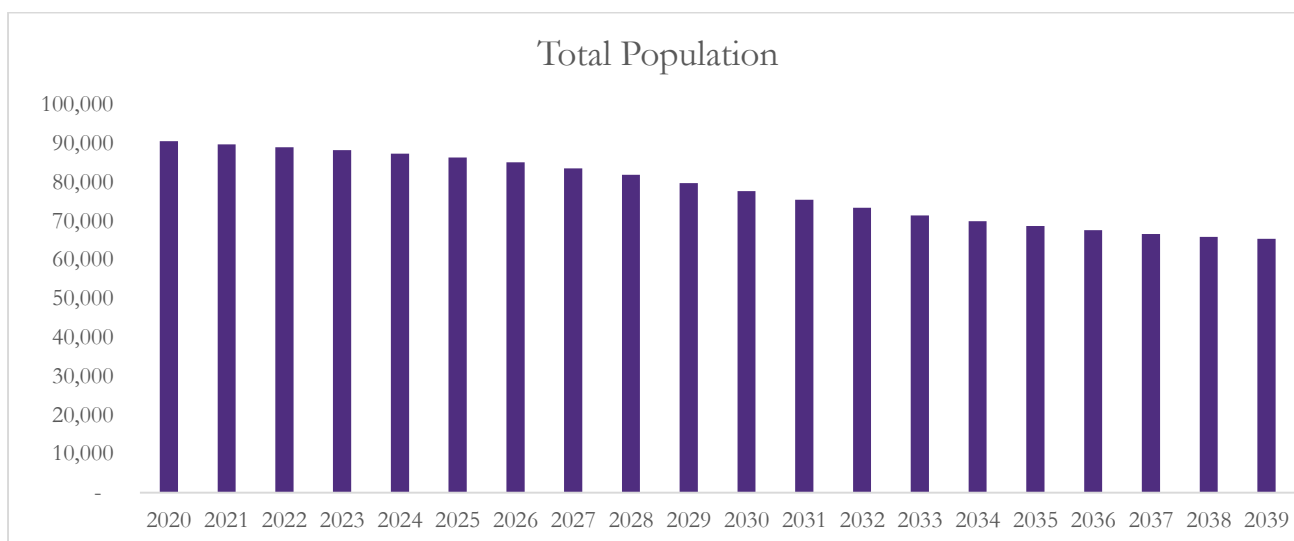
**At this stage, the CBRM would likely face severe challenges in sustaining its municipal operations and services, potentially leading to the divestiture of underutilized facilities and an overall unviability of the municipality.**

### Pessimistic Scenario

**Table 9: Pessimistic Projections**

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Population	90,588	89,796	89,028	88,276	87,379	86,380	85,122	83,620	81,894	<b>79,814</b>
Growth/decline in population	-	-0.87%	-0.85%	-0.84%	-1.02%	-1.14%	-1.46%	-1.76%	-2.06%	2.54%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Population	77,706	75,508	73,435	71,476	69,928	68,696	67,640	66,637	65,903	<b>65,424</b>
Growth/decline in population	-2.64%	-2.83%	-2.75%	-2.67%	-2.17%	-1.76%	-1.54%	-1.48%	-1.10%	0.73%



### **Influencing factors:**

In the pessimistic scenario, it is assumed that the historical trend in population change would continue to remain the same until 2023. Subsequently, certain factors which are discussed below are likely to aggravate the decline in population. In this scenario, the average population decline rate is likely to increase from 0.84% in 2023 to 2.54% in 2029, peaking at 2.83% in 2031. The key factors that will contribute to such accelerated population decline are:

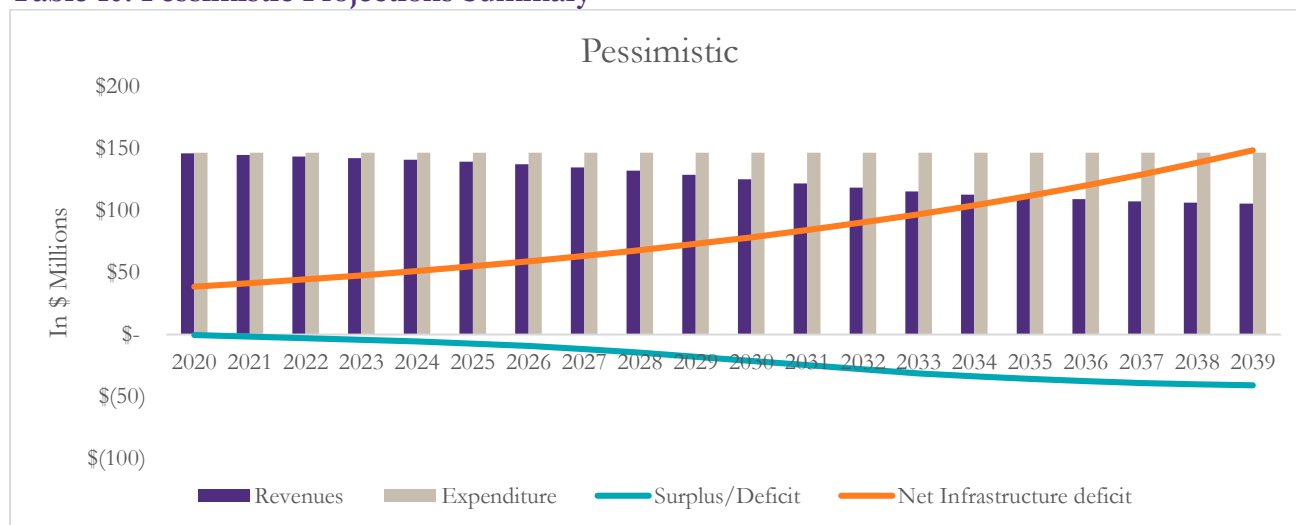
1. Low funding for mandatory capex and critical infrastructure , leading to higher outmigration of young population
2. Accelerated unemployment rate
3. Accelerated mortality rate due to higher weighted senior age group
4. Increases to cost of living compared to regional alternatives
5. Macro-level disruptive challenges impacting economic and commercial development
6. Lower levels of fertile population
7. Real estate risks deriving from increases in number of vacant or abandoned homes
8. Low private investment due to perceived risks and lack of aligned human capital

Such an accelerated decline in population projections is likely to severely impact the CBRM's ability to collect sufficient revenues to sustain municipal programs and services.

As in the reference scenario, the infrastructure deficit is projected to be the same over the next 10 and 20 years. Since the CBRM will be running into an operational deficit from 2020 onwards, it is assumed that no surplus amount will be generated to fund the infrastructure spending. Therefore, the deficit will continue to grow at approximately 7% annually merely due to annual depreciation.



**Table 10: Pessimistic Projections Summary**



### Influence on municipal services and the viability of municipal services:

The pessimistic scenario is hypothetically the worst case scenario. In essence, if the CBRM's residents further perceive their property taxes as dramatically high in contrast to the earning potential in the region, compounded by disincentives such as few opportunities for growth and development, attractive places to migrate to in Nova Scotia and even to cities in other provinces etc. As per the projections under this scenario, the decline in population of residents in age brackets 14-44 would be substantially higher than residents in age categories 65 and upwards over the next 10 and 20 years. Similar to the reference scenario, a high number of residents in 65 and upwards categories would lead to a higher mortality rate, further increasing the *mortality to new births* ratio.

In the pessimistic scenario, the unemployment rate would likely remain unchanged or rather grow due to outmigration, resulting in net economic loss. Therefore, continued deterioration of CBRM's financial health would influence the overall attractiveness of the CBRM, especially for the younger age categories (age bracket 20-44). Such an economic sentiment would work as a disincentive for increasing international migration.

In the pessimistic scenario, based on projected change in population, *ceteris paribus*, the CBRM is likely to go into deficit next year and will continue to witness an increasing amount of deficit for the next 10 and 20 years, reaching \$41 million deficit in 2039. Moreover, a declining quality of municipal programs and services due to budget deficits may result in an acceleration of outmigration. **At that stage, it would become unviable to sustain CBRM's municipal programs and services.**

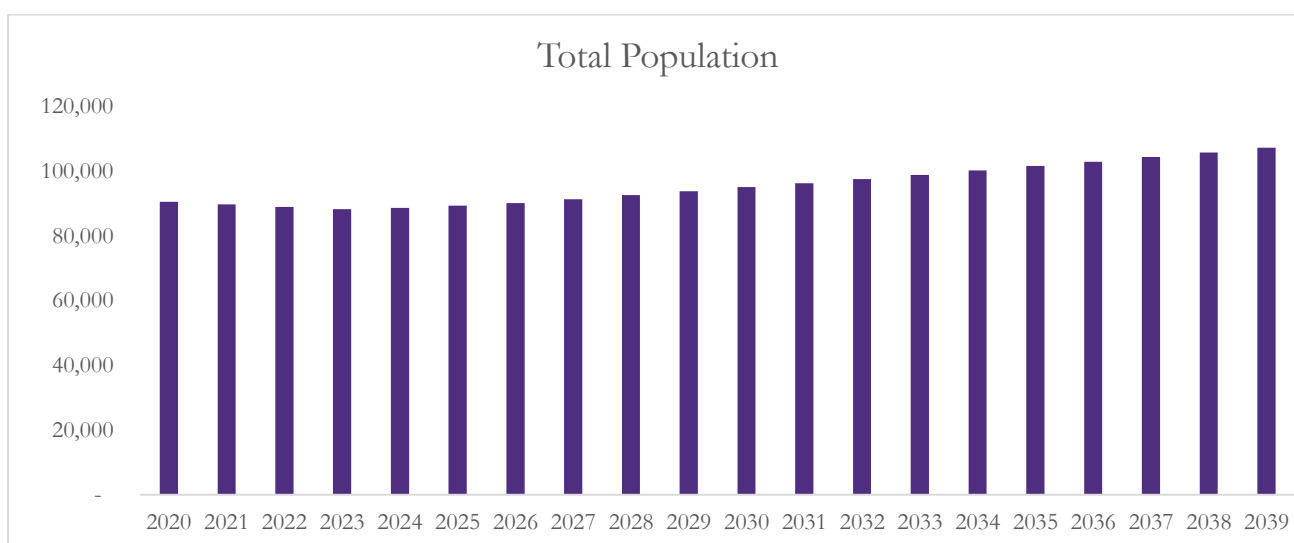
### Optimistic Scenario

**Table 11: Optimistic Projections**

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Population	90,588	89,796	89,028	88,276	88,710	89,364	90,244	91,356	92,709	<b>93,873</b>
Growth/decline in population	-	-0.87%	-0.85%	-0.84%	0.49%	0.74%	0.98%	1.23%	1.48%	1.26%

Year	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Population	95,104	96,312	97,589	98,935	100,257	101,650	103,018	104,457	105,868	<b>107,353</b>

Growth/decline in population	1.31%	1.27%	1.33%	1.38%	1.34%	1.39%	1.35%	1.40%	1.35%	1.40%
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### Influencing factors:

As in the pessimistic scenario, it is assumed that the historical trend in population change would continue to remain the same until year 2023 in the optimistic scenario. In this desirable scenario, most of the increase in population would be driven by a significant increase in immigration of people in the age bracket 20-44. Subsequently, this would likely increase the birth rate in CBRM. The key factors that will contribute to this modest reversal in population decline are:

1. Commercial growth and development due to planned capex for port development (Sydney Cruise extension), federally mandated wastewater projects and road infrastructure projects
2. Increase in tourism leads to higher economic activity from external sources and higher awareness
3. Increased development of recreational properties
4. Improved entrepreneurship and employment opportunities
5. Higher retention of university population based on improved employment opportunities
6. Improved labour pool and knowledge base
7. Increased international immigration

Increased annual capital expenditure is likely to have a direct and quantifiable impact on the population of the CBRM. Every \$100 million of infrastructure investment would boost job growth by 1000 full-time equivalents (FTE's)<sup>20</sup>. An estimate based on the nearest hundred people is assumed for the purposes of the projection.

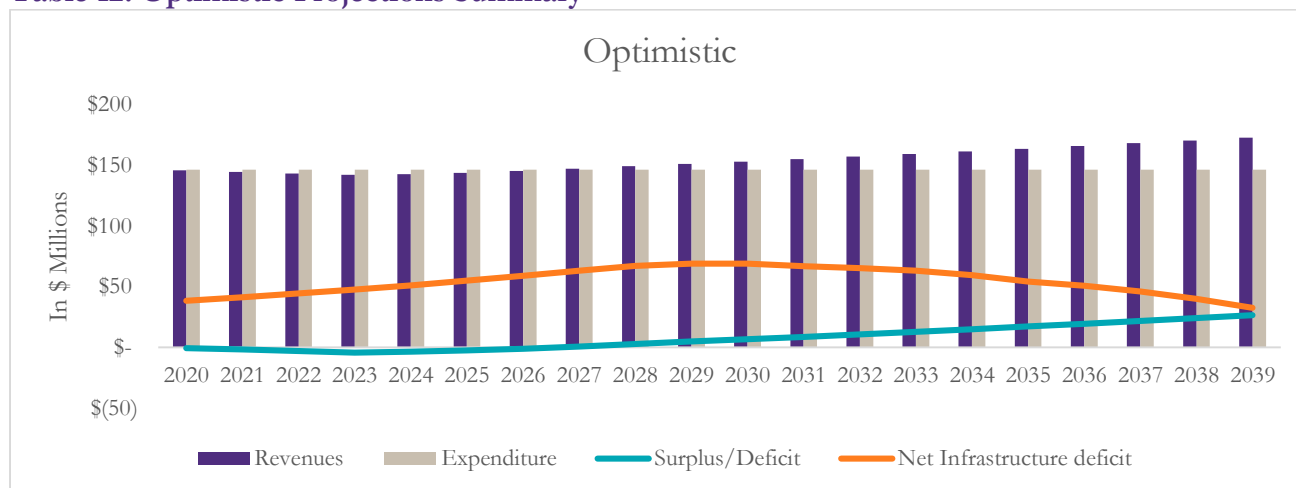
Based on the assumed annual capital expenditure of approximately \$523 Million over the next ten (10) years, CBRM would likely retain approximately 505 residents (in the 20-44 age bracket) over the course of this capital expenditure timeframe.

In this scenario, based on the projected change in population, *ceteris paribus*, the CBRM will likely witness a modest reversal in the operating budget. In reference to the table in Appendix C, as CBRM begins to incur a surplus from 2027 onwards, the rate of increase in potential infrastructure deficit reduces. As the

<sup>20</sup> Economy Policy Institute, "Potential macroeconomic benefits from increased infrastructure investment", July 2017

CBRM would be able to fund the infrastructure deficit through operational surplus or accrued reserves from an operational surplus, the infrastructure deficit will continue to reduce. In Table 6C in Appendix C, it is assumed that from 2027 to 2031 the CBRM would utilise 100% of the operational surplus to fund infrastructure projects. From 2032 onwards, as the operational surplus exceeds \$10M, the CBRM would utilise 40% to 60% of the surplus to fund infrastructure projects. However, population growth would require a transition from maintenance related projects to growth related projects. In this scenario, infrastructure deficit is projected to be \$32.72M in 2039.

**Table 12: Optimistic Projections Summary**



### Influence on municipal services and the viability of municipal services:

In the optimistic scenario, subsequent to an initial decline over the next four to five (4-5) years, the population trend would likely reverse from 2024 onwards, contingent on new economic strategies, policies, and revenues – however the initial reversal in population would be modest.

The revised economic policies would include strategic, operational and financial policies such as those outlined in the recommendations below. This would presumably lead to an improved overall attractiveness – economic, social and cultural – of the CBRM, potentially improving the in-migration of younger age categories (age bracket 19-44) that would further boost birth rates, and new and expanded commercial taxpayers.

In this scenario, an increased population would require additional services and consequently an increase in the number of municipal employees in specific service areas e.g. water and wastewater services which would further add to economic recovery and growth.

In the optimistic scenario, CBRM would witness surplus from year 2027 onwards, reaching \$4.76 Million in 2029 and \$26.49 Million in 2039. **With a mix of incremental and moderate changes to certain policies and operations, the CBRM is likely to continue being operationally viable.**

### Viability Conclusions

The question of the future viability of the CBRM is by no means a simple one. The complexities associated with attempting to accurately forecast the potential impact and likelihood of numerous interdependent variables is extremely limiting. However, if viability is analyzed through the lens of a continuation of historic trends, viability becomes increasingly unlikely without significant changes to multiple areas. The continued decline in population would need to be met with either higher taxation or a decline in municipal

spending and services, both of which have the potential to contribute to an acceleration of outmigration. As noted throughout this report, the experienced population decline, significantly influenced by a series of economic shocks over the past two decades, has been the most consistent threat to viability. While that narrative has been well documented, there is an economic basis to support an improvement to the economic situation in the CBRM, a critical factor for sustainability.

The higher number of retirees comprising an increasingly higher portion of the population suggest upcoming vacancies in the job market will support improvements to the unemployment rate. Additionally, if new opportunities and initiatives result in continued growth, the rather fragile economic pendulum can swing both ways. For a municipality with an unemployment rate that has consistently averaged in the high teens, this can be considered an opportunity in the short-term. While the benefits of such an occurrence are dependent on aligning the current workforce with existing opportunities, the study identified numerous instances of the government, private sector, and public institutions proactively working on resolutions and strategies that provide a measure of optimism for the future.

Although the economic challenges of the CBRM are one of the most significant contributing factors limiting the region's competitiveness, when compared to some of the challenges exhibited by similar municipalities, many would consider the CBRM to be in an enviable position. The high rate of violent crime that has frequently accompanied cities facing similar economic situations<sup>21</sup> is relatively absent in the CBRM, while Thunder Bay continues to struggle with one of the highest per capita violent crime rates in Canada<sup>22</sup>. Sarnia has a relatively stable economy with a higher than average median household income, yet the city is struggling to attract new residents, partially attributable to the label of "chemical valley" and the associated health risks from the city's petrochemical industrial focus. Saint John has experienced a very similar population decline as the CBRM, primarily driven by economic challenges, yet arguably facing stronger social-economic headwinds with limited financial resources and natural assets.

The business and policy environment contains a number of existing challenges, yet the recognized urgency of attracting and developing the private sector is positively influencing municipal policy, as evidenced by the recent implementation of commercial development incentives and the establishment of the CBRM Regional Enterprise Network.

The current level of human capital by most measures would merit a lower ranking than other benchmarking participants, but improvements to the economic focus of the region, the relatively high number of secondary education institutions, and the increasing number of international students are all positive signs for future improvements in the area. Although the municipal government has considerable limitations on its ability to drive economic growth, it is critical that the municipality continues to contribute to, and when necessary, lead these initiatives.

It is apparent that the CBRM's strongest competitive advantages are primarily related to the region's high livability, which derives from the abundance of natural assets in the region, the low cost of housing, and the safe and friendly communities. Although the economic challenges and difficult circumstances faced by the CBRM post-amalgamation have undoubtedly been significant, the region's natural assets provide a great foundation to continue transitioning the economic identity of the CBRM. Ultimately the region's continued viability will be dependent on marginally reversing the historic trend of a declining population, which will largely be driven through continued coordination among all levels of private and public institutions, as well as the necessary time and capital investment for the strategies to produce the intended results.

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<sup>21</sup> Bell, Brian, "Do recessions increase crime?", World Economic Forum, March, 2015.

<sup>22</sup> Edwards, Kyle, "Something must be done about the Thunder Bay police", Maclean's, Dec 2018.

## Recommendations

The following recommendations are aligned with the critical factors that will influence a modest reversal in the population trend over the next 10 years. The recommendations will be categorized in three separate areas based on the functional area of application. The three categories of recommendations are:

- **Strategic:** Recommendations related to the allocation of resources, the level of collaboration and partnerships, and the focused and prioritized objectives of the CBRM.
- **Operational:** Recommendations centered on the organizational structure, processes and methodologies in which the CBRM delivers municipal services.
- **Policy:** Recommendations related to the governance, legislative, and taxation policies that currently regulate the CBRM.

**Table 16: Overview of Recommendations**

Findings Category	Recommendation	Ease of Implementation	Potential Magnitude of Impact
<b>Strategic:</b> The CBRM's high unemployment rate and relatively low economic activity are significantly influencing viability	1. Continue in the development of a five-year economic plan with industry specific objectives	Moderate	Economic Health: <b>High</b> Human Capital: <b>Moderate</b> Business & Policy Environment: <b>High</b> Livability: <b>Moderate</b>
<b>Strategic:</b> The CBRM needs to proactively promote the benefits of the region to prospective businesses and residents	2. The development of a marketing strategy with tailored value propositions for distinct target groups	High	Economic Health: <b>High</b> Human Capital: <b>Moderate</b> Business & Policy Environment: <b>High</b> Livability: <b>Moderate</b>
<b>Strategic:</b> The natural assets of the region continue to attract rural development	3. Rural residential development plan	Moderate	Economic Health: <b>High</b> Human Capital: <b>Low</b> Business & Policy Environment: <b>Moderate</b> Livability: <b>High</b>
<b>Strategic:</b> There appears to be a lack of accessible seniors housing, which will continue to cause a strain on municipal services	4. Expand seniors purpose built housing and care facilities	Low	Economic Health: <b>Moderate</b> Human Capital: <b>Low</b> Business & Policy Environment: <b>Moderate</b> Livability: <b>High</b>
<b>Strategic:</b> The inability to easily and affordably	5. Improve accessibility to the region	Low	Economic Health: <b>High</b> Human Capital: <b>Moderate</b>

access the region is a barrier for both tourism and investment			<b>Business &amp; Policy Environment: High</b> <b>Livability: High</b>
<b>Strategic:</b> The decline in traditional industries has resulted in a lower level of human capital and labour participation	6. Utilize the Regional Enterprise Network to support skills training, align job seekers with available positions, improve collaboration with higher education institutions, and focus resources on industry specific research and development	Moderate	<b>Economic Health: High</b> <b>Human Capital: High</b> <b>Business &amp; Policy Environment: High</b> <b>Livability: High</b>
<b>Operational:</b> The Manitou Report identified several inefficiencies and risks associated with the current fire services delivery model	1. Consolidate and amend how fire services are funded, delivered and managed.	Low	<b>Economic Health: Low</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Moderate</b>
<b>Operational:</b> The CBRPS, although performing comparatively well, have a higher level of officers when compared to national averages and benchmarking participants	2. Conduct a deeper analysis of the CBRPS to assess potential options for improving efficiencies	High	<b>Economic Health: Moderate</b> <b>Human Capital: Moderate</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Moderate</b>
<b>Operational:</b> A number of departments displayed effective methods and processes for delivering services, yet lacked formal	3. Develop the necessary processes, systems, and resources to foster a culture of continuous improvement	Moderate	<b>Economic Health: Moderate</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: High</b>



performance measures to continually drive service improvements	within municipal departments		
<b>Operational:</b> Opportunities for improved service delivery and potential redundancies appear to exist within the CBRM	4. Explore the potential benefits of partnerships with external organizations	Moderate	<b>Economic Health:</b> Moderate <b>Human Capital:</b> Low <b>Business &amp; Policy Environment:</b> Moderate <b>Livability:</b> High
<b>Operational:</b> Political hurdles arising from the district electoral governance structure appear to be limiting certain initiatives	5. Explore the benefits of transitioning to a municipal structure consisting of three districts	Low	<b>Economic Health:</b> Moderate <b>Human Capital:</b> Low <b>Business &amp; Policy Environment:</b> Moderate <b>Livability:</b> Moderate
<b>Policy:</b> The rather significant number of tax delinquent and vacant properties are negatively impacting revenues, communities, and municipal services	1. Explore potential solutions to expedite the processing of delinquent and abandoned properties	Low	<b>Economic Health:</b> Moderate <b>Human Capital:</b> Low <b>Business &amp; Policy Environment:</b> Moderate <b>Livability:</b> High
<b>Policy:</b> The continued increase in mandatory costs borne by the municipality and fixed contribution of transfers from the provincial government are negatively influencing the municipality's budget needs	2. Assess and prioritize mid-term capital needs and develop a business case process for requesting additional funding from external levels of government.	Low	<b>Economic Health:</b> Moderate <b>Human Capital:</b> Moderate <b>Business &amp; Policy Environment:</b> High <b>Livability:</b> Moderate
<b>Policy:</b> The lack of urban densification in the region is contributing to	3. Implement property tax incentives for	Moderate	<b>Economic Health:</b> Low <b>Human Capital:</b> Low

accelerated service and infrastructure costs	urban residential development		<b>Business &amp; Policy Environment: High</b> <b>Livability: Moderate</b>
<b>Policy:</b> The declining population will likely continue its current trajectory without increasing international immigration	4. Increase international migration to the CBRM	<b>Low</b>	<b>Economic Health: Low</b> <b>Human Capital: High</b> <b>Business &amp; Policy Environment: High</b> <b>Livability: Moderate</b>
<b>Policy:</b> The ongoing challenge of revenue shortfalls and the potential economic impact associated with an increase to municipal taxation rates	5. Continue exploring alternative revenue sources	<b>Moderate</b>	<b>Economic Health: Moderate</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Moderate</b>
<b>Policy:</b> Infrastructure projects that support economic growth initiatives will provide the municipality with benefits that extend beyond tangible assets	6. Prioritize capital spending on projects that align with long-term strategic objectives	<b>Moderate</b>	<b>Economic Health: High</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Moderate</b>
<b>Policy:</b> Commercial property tax rates are comparatively high and negatively influencing the inception and attraction of new businesses <sup>23</sup>	7. Explore the feasibility of multiple commercial tax categories or lowering commercial tax rates	<b>Low</b>	<b>Economic Health: Moderate</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: High</b> <b>Livability: Moderate</b>
<b>Policy:</b> The current marketing levy applied to hotels and accommodation businesses provides	8. Explore applying the marketing levy to Airbnb style rentals	<b>Moderate</b>	<b>Economic Health: Moderate</b> <b>Human Capital: Low</b>

<sup>23</sup> As per Kitchen & Slack's "Municipal Property Tax Issues in the City of Saint John", August 2017. "Businesses are more likely to leave a municipality in response to taxes than residential property owners because the former are more mobile."



essential revenues for regional marketing initiatives.			<b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Low</b>
<b>Policy:</b> Any meaningful changes to the residential tax structure would likely require an initial phase out of the CAP prior to changes to simplify the process and avoid repeating the process multiple times.	9. Utilize the Nova Scotia Federation of Municipalities to work with other municipal governments and the Province on a strategy to amend the CAP	<b>Low</b>	<b>Economic Health: Moderate</b> <b>Human Capital: Low</b> <b>Business &amp; Policy Environment: Moderate</b> <b>Livability: Moderate</b>

## Strategic

### Recommendation 1: Well-defined Economic Development Plan

It is recommended that the CBRM develop a comprehensive economic development plan, with a focus on improving the quantity and quality of employment opportunities, facilitating the creation of new businesses in the region, and attracting new businesses through policy incentives.

**Current State:** One of the most significant factors influencing population decline in the CBRM is the lack of economic opportunities in the region. The most recent statistics approximate an unemployment rate of nearly 16%, translating to roughly 8,000 individuals seeking employment yet unable to find full-time work<sup>24</sup>. One of the top priorities for the CBRM should be a formalized economic strategy to address the challenges.

#### Evidence: Moncton, New Brunswick

Moncton led Atlantic Canada in population growth over the last five years<sup>25</sup> and worked against a well-defined economic plan. The growth in population was a key pillar in said economic plan. The three cities of Moncton, Dieppe, and Riverview partnered to develop the Greater Moncton Region Economic Development Strategic Plan (2018-2022). The five-year plan included growth targets for GDP, population, the labour market, and the municipal tax base, with collective activity-based objectives for participants.

#### Suggestions for Implementation:

1. *Identify internal resources and external partners that will contribute to the development and implementation of the plan:* the first step in designing and implementing a regional economic plan is confirming who will be involved and in what capacity. There are a number of organizations and associations that likely share common objectives regarding economic development. The formal establishment of a collective group who will be responsible for the plan's completion will be needed. Some potential organizations to consult with include:

<sup>24</sup> Statistics Canada, Labour statistics for March 2018.

<sup>25</sup> In terms of percentage of population growth as opposed to total population growth

- BDC Sydney
- Chamber of Commerce
- Cape Breton University/Nova Scotia Community College
- Export Development Canada
- Port of Sydney Development Corporation
- Regional Enterprise Network
- Nova Scotia Business Inc.
- Nova Scotia Works

2. *Leverage the completed planning to date to inform the development of economic priorities:* The CBRM has conducted previous reports that align with future economic development strategies. There are also a number of current initiatives that will influence what future options should be prioritized. Utilizing the existing work that has been conducted in relevant areas will facilitate the plans development. Some potential reports to leverage are summarized in the table below:

**Table 18: Catalogue of Previous Reports**

Title of Report	Key Objectives and Priorities	Area of Impact
Commercial Development and Incentives Plan	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Creative Economy Growth Plan	- Leverage existing skills and capabilities to support the growth of the creative economy	Business & Policy Environment Human Capital Livability Economic Health
Glace Bay & Area Revitalization Plan	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Downtown Sydney Report	- Stimulate commercial development and economic activity in key commercial and industrial districts	Business & Policy Environment
Smart Cities Challenge	- Utilize technology and innovation to transition to a city that is positioned for future demands.	Business & Policy Environment Human Capital Livability Economic Health
Due Diligence Assessment of Plans for Second Berth at the Sydney Marine Terminal	- Analysis of the potential costs and benefits of expanding a second berth terminal at the Port of Sydney	Business & Policy Environment Economic Health
Prosperity Framework, Cape Breton Partnership	- Improve the economic strength of the region through collaboration and focused investment	Business & Policy Environment Economic Health Human Capital

3. *Develop clearly defined and measurable objectives within the plan:* the plan should translate to actionable tasks and as such should have clearly formed and attainable objectives. Some potential examples of objectives include:
  - Support the creation of 4,000 employment opportunities within the next five years
  - Support the growth of existing strategically important industries (i.e. fisheries and forestry), through shared research and vertical development programs (i.e. food production).
  - Facilitate the introduction of new business opportunities through the organization of a business incubator and quarterly business focused conferences.
4. *Identify key environmental factors, both internal and external, that will influence the plan's success:* as noted earlier, there are a number of factors that will influence the economic success of the region, with the majority outside the realm of the CBRM's direct control. To ensure that the strategy employed provides the greatest likelihood of success, a full analysis of the internal and external environment should be conducted so as to identify the enablers and hurdles facing the region. Some examples may include:

**Table 19: Internal and External Environment**

Internal Environment		External Environment	
Enablers	Hurdles	Enablers	Hurdles
The focused development of the Port of Sydney provides a key pillar to anchor subsequent growth strategies.	Conflicting priorities and perspectives among residents and businesses will limit the effectiveness of implementing the plan.	Potential capital investment from other levels of government will provide a much needed economic stimulus in the short-term to fund projects aligned with the development of specific areas.	The prolonged economic challenges of the region have the potential to obscure the investment attractiveness (i.e. liquidity risk) of the region.

5. *Identify specific key economic drivers to focus strategic direction:* Tourism has been listed as a key economic driver for the region, yet the success of becoming a world class tourism destination is dependent on a number of businesses contributing to the overall experience in the region. The development of a focused strategy will assist in identifying business opportunities and identifying potential synergies that can be captured among different contributors. Tourism examples may include:
  - **Hospitality** – Restaurants, hotels, bed and breakfasts, microbreweries, Air B&B.
  - **Accessibility** – Airfare, the Port of Sydney, and transportation options (i.e. car rentals).
  - **Recreation & Leisure** – Golf courses, ski hills, hiking/snow shoe trails, theaters, authentic cultural experiences, ecological tourism, events and festivals.
  - **Natural Assets** – Cabot Trail, Highlands National Park, Bras d'Or Lake and other pristine bodies of water in the region.

6. *Define the Critical Success Factors that will influence the plans success, and align Critical Activities that specific participants will need to perform:* One of the most common issues that will influence the plan's success is how well the plan transitions into action. To facilitate the implementation of the plan, the CBRM should address the Critical Success Factors (the aspects of the plan that if achieved, will be sufficient for achieving success), and the resulting Critical Activities (the shared collective tasks that need to occur for the critical success factors to be achieved).
7. *Schedule quarterly meetings to assess the on-going execution of the plan and the associated results:* The monitoring and reporting of the plan's on-going implementation are key to identifying what areas of the plan are delivering value and what areas are not. Many of the objectives in the plan will require the appropriate amount of time before effectiveness can be assessed, however, there should still be a process for ensuring the agreed upon actions are being undertaken in a way that will best deliver intended results.

#### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Moderate:</b> The process for both developing and implementing a strategic plan is complex and time consuming. The high number of stakeholders and conflicting influencing factors can make broad alignment difficult to achieve. However, the costs and feasibility of developing an economic growth strategy don't present any significant barriers to proceeding with the planning initiative.</p>	<p><b>Economic Health – High:</b> Although a number of areas that will influence the economic health of the region are outside the CBRM's direct control, the ability to influence and facilitate desired outcomes can amplify the speed and impact of economic growth, an area that will significantly improve viability.</p> <p><b>Livability – Moderate:</b> An improved economic plan will support the creation of future economic opportunities</p> <p><b>Business Policy &amp; Environment – High:</b> Spearheading the planning process will support coordination among various stakeholders, improving the environment.</p> <p><b>Human Capital – Moderate:</b> The development of an economic strategy will provide guidance and insight into the existing workforce and potential gaps regarding future needs, a key step to improving the necessary skills of the region.</p>

#### Potential Risks and Mitigation Strategy:

1) Potential for conflicting perspectives to prolong and complicate the planning process:	
Anticipated Problem	Stakeholder consultations revealed previous occasions where divergent regional perspectives led to prolonged periods of political gridlock. This is not at all uncommon within municipal environments, yet the inability to achieve consensus and alignment regarding strategic direction has the potential to undermine the CBRM's initiatives.
Mitigation Strategy	Acquiring the services of an independent facilitator can significantly reduce internal conflict, assign large responsibilities of the planning process to an external party with the capacity and obligation to fulfill the required needs of the project, and support the

	alignment and direction of the strategic plan through expertise and empirical based evidence.
2) Macroeconomic factors limit the effectiveness of the economic development strategy	
Anticipated Problem	An economic growth plan can only account for the variables that are currently recognized and under the Municipality's direct control. The most well planned strategies can be rendered meaningless in the face of global macro-economic forces, with the 2008 financial crisis continuing to provide evidence to the matter.
Mitigation Strategy	The importance of continuously monitoring the implementation of the plan and the external factors that are influencing its success will provide a measure of contingency planning. The reality is the ability to best manage the identified risks through analysis and planning remain the best approaches to mitigating macroeconomic risks.
3) Challenges with continuously monitoring the implementation of the plan	
Anticipated Problem	The constantly changing economic environment and availability of stakeholders involved with managing the execution of the plan can create challenges ensuring that the plan is a) being executed, and b) being monitored and amended where needed to reflect changes to the economic environment.
Mitigation Strategy	Establishing roles and responsibilities, controls and monitoring, and schedule meetings throughout the life-cycle of the plan at its onset will support and facilitate the ability to implement the recommended strategies.

## Recommendation 2: The Development of a Marketing Strategy with Tailored Value Propositions for Distinct Target Groups

Following the development of a formal economic strategy, the creation of a renewed marketing strategy that aligns with the CBRM's economic objectives will support attracting new residents and business investment.

**Current State:** The benchmarking analysis identified reoccurring themes among Atlantic Canadian cities, with the most prominent being the shared objectives of economic development and population growth. Much like any competitive market, prospective "buyers" assess the associated costs and benefits related to investing in a municipality based on the available information. The CBRM's competitive advantages should inform the regions value propositions, uniquely communicating the opportunity offered by the CBRM.

### Evidence: Moncton, New Brunswick

As an example of a community using this recommended approach, the marketing campaign for Moncton is centered on the eclectic offerings and unique opportunity the City provides. The campaign, "Moncton wins", has distinct value propositions for key demographics, including<sup>26</sup>:

- **Seniors:** "Moncton is a senior-friendly city where older residents can enjoy a good quality of life. The City offers many services that enable seniors to be active and engaged members of the community. The City also has a Senior-Friendly Business Program that facilitates connecting goods and services to older individuals within the community."
- **Students:** "Université de Moncton, a French-language university, is the City's largest post-secondary institution. Crandall University offers a Liberal Arts education based in the Christian

<sup>26</sup> As Per the "Moncton Wins" campaign which is available on the City of Moncton's website.



faith. Moncton also has a number of community colleges that offer training in trades, technology, healthcare, and the arts.”

- **Young Professionals:** “You get a city lifestyle. But, at the same time, you’ll be close to beaches and National Parks. Not to mention zoos and amusement parks. All in a warm, bilingual community with a vibrant nightlife. No matter what you like, Moncton has you covered!”
- **Businesses:** “Moncton’s bilingual and diverse workforce, growing economy and central location in Atlantic Canada make it one of the best places in Canada to do business.”
- **Immigrants:** “Moncton has become an increasingly culturally diverse community which adds to its already high quality of life. Upon arriving, immigrants discover a welcoming community with low real estate costs, excellent community services, and plenty of activities and events for young and old.”
- **International Investment:** “Outside investment in Moncton has increased in recent years with the growing realization that the City offers all the key elements for business success: a growing and diverse economy, skilled workforce, excellent employment opportunities, strategic location and competitive business tax rate. The City also offers programs and networking opportunities for immigrant entrepreneurs who are looking to invest.”

Although a number of factors have contributed to growth, the City’s marketing investment appears to be contributing to the region’s success as it continues to attract new residents and businesses and evidences a potential success for CBRM in using a similar approach.

#### **Suggestions for Implementation:**

1. *Identify the different groups the CBRM is seeking to attract:* The opportunities the CBRM poses to different groups are as varied as the characteristics that define them. For a newly retired couple, the CBRM might represent an attractive lifestyle that will provide the most value for their accumulated savings. For a young couple with a newborn, the region might represent the opportunity for a rural lifestyle with an ideal property for an affordable price. Whatever the value proposition is, the first step is segmenting the different groups the CBRM is trying to attract.
2. *Understand and synthesize why prospective groups should invest in the CBRM, and what unique opportunities the region provides:* As noted in the above suggestion, once the target audience has been identified, an assessment of what benefits the CBRM provides to each defined group, and more importantly, what makes the CBRM unique, will contribute to developing a value proposition for each segment.
3. *Collaborate with existing tourism and regional economic development organizations to ensure consistency and alignment:* The Cape Breton Partnership and other economic development agencies continue to promote the region as a destination for tourism and business. From our understanding, the CBRM has recently developed the CBRM Regional Enterprise Network in collaboration with the Cape Breton Partnership to improve alignment with strategic objectives. The opportunity to enhance collaboration with other regions and industry specific sectors will support shared objectives.
4. *Develop a comprehensive marketing campaign:* Regardless of the target audience, the ability to reach the said audience with the intended message is crucial to achieving the objective of increasing investment and tourism to the region. The sheer number of options to market the region to prospective residents, businesses, and tourists can be overwhelming. For some segments, digital and social media are dominating how information is shared and digested (i.e. millennials), while others, such as seniors researching possible retirement destinations, will likely depend on more traditional sources. Innovation has created an opportunity to maximize reach for relatively affordable costs, however, the sheer volume of daily content has resulted in a saturated market where it is essential to differentiate. Strategic channels that align the tailored message with the intended audience is critical for achieving success.

## Implementation and Impact Assessment:

Ease of Implementation	Potential Magnitude of Impact
<p><b>High:</b> Digital advancements have significantly increased accessibility to the resources and tools needed to create and disseminate high quality, multi-channel marketing campaigns. The region's numerous pristine landscapes provide ample opportunity to showcase the assets of Cape Breton. The high level of control and relatively low costs result in a recommendation with minimal implementation barriers.</p>	<p><b>Economic Health – High:</b> As tourism takes on a larger economic role for the region, increases to external capital flowing into the area will benefit the economic strength of the CBRM. Additionally, the ability to attract new businesses and residents will improve with a marketing campaign,</p> <p><b>Human Capital – Moderate:</b> An effective marketing campaign will support the key objective of attracting and retaining young people while increasing the flow of external visitors will improve the exchange of knowledge and opportunities.</p> <p><b>Livability – Moderate:</b> Increases to tourism and peak seasonal times can negatively influence livability conditions and strain municipal and provincial government services. However, economic gains from external revenue sources outweigh the potential negatives that can result from an influx of tourists.</p> <p><b>Business and Policy Environment – High:</b> The business environment would directly benefit from the attraction of new business entrants and the expansion of existing opportunities. Increasing exposure is critical to improving the level of entrepreneurship and level of investment in the region.</p>

## Potential Risks and Mitigation Strategy:

1) A Lack of performance measures to assess the marketing campaigns effectiveness	
Anticipated Problem	Ensuring a sufficient return on investment dollars will increasingly become critical for the CBRM's viability. Tracking the effectiveness of marketing campaigns has inherent challenges assigning causality to outcomes (i.e. was the marketing campaign responsible for increased sales), or lack thereof (macro-economic factors can limit outcomes but don't necessarily reflect the effectiveness of a marketing campaign).
Mitigation Strategy	Setting performance metrics is essential in the planning phase. Advances in technology and the increased accessibility of analytics will support tracking the effectiveness of various marketing channels.

## Recommendation 3: Rural Residential Development Plan

As the costs of available lakefront properties in close proximity to major urban centers continue to accelerate, a growing number of Canadians are looking to Atlantic Canada for the attractive lifestyle and desirable properties<sup>27</sup>. Additionally, advances in technology are allowing professionals to effectively work from remote locations, a trend that is attracting skilled labour to smaller urban and rural areas<sup>28</sup>. Based on these trends, the benefits of working with a developer to build communities as opposed to single projects could provide the CBRM with a significant acceleration to new development and improve community planning.

<sup>27</sup> "Could New Brunswick Become the Retirement Capital of Canada?", Retirement Miramichi, June, 2017.

<sup>28</sup> "Working Remotely Provides Small-Town Life on a Big-City Wage", Andrew Whytock, Huffington Post, 2019.

**Current State:** Discussions with the planning department identified the ongoing trend of rural development outpacing urban development. Although urban densification is an area that the CBRM should continue to advance, the attractiveness of the region as a destination for secondary/vacation homes presents an opportunity for a more focused approach to the development of rural and lakefront communities. From initial consultations with the planning department, the trend of individual property development appeared to be the most significant form of development.

### **Evidence: Kelowna, B.C.**

Kelowna, B.C. is a city known for its beautiful lakes, hot summers, wineries, relaxed pace, and mountains. The City has grown dramatically in population over the last twenty years, growing from a population of 89,442 in 1996 to a current population estimate of 138,000<sup>29</sup>. A significant growth driver has been the migration of retirees coming from within Canada<sup>30</sup>, a thriving tourism sector resulting from the increased promotion of the region, and a growing professional services sector and education hub attracting younger residents.

While the exact number of vacation homes in the region is not readily available, the area is known to have a large number of secondary property owners. Kelowna's planning department, as well as neighboring municipalities, have worked extensively with developers to facilitate the growth trajectory of the region. The influx of interprovincial investment has been a large driver of growth in the region, creating a market for land development, construction, property management, seasonal services (e.g. boat storage), and private security. Investment in the region has also created some negative impacts, most notably housing affordability, so much so that the region recently implemented an additional tax on non-primary residences in an effort to cool external housing demand<sup>31</sup>.

### **Suggestions for implementation:**

1. *Review current surplus inventory:* The CBRM appears to possess a sizable inventory of surplus land. The current process of selling the properties to various independent buyers has resulted in uneven and sporadic development. Furthermore, there appears to be an investment strategy of purchasing strategic plots of land and simply holding the property as vacant for the foreseeable future. The practice appears to be limiting development potential.
2. *Work with the planning department to assess what areas would present the most desirable development opportunities that are attractive to prospective buyers/developers:* Specific areas aligned with the CBRM's current inventory might provide ideal development locations. Developing a concise list of available and desirable development sites will provide an initial starting point for conversations with developers.
3. *Consult with potential developers and builders to assess needs and terms for partnership:* Working with larger scale developers provides the benefit of accelerating development and maintaining alignment with larger development plans. The risks associated with the area (i.e. the future viability and taxation levels) will influence potential investment and will likely require municipal incentives and support to bolster the attractiveness of the region.
4. *Develop and amend zoning to accommodate desired plans:* Future development plans will likely require zoning changes and potential amendments to specific building restrictions. The assurance that the city's planning department will work collaboratively with potential developers will facilitate the development process.
5. *Confirm conditions for partnership and select suitable partners for community developments:* Specific conditions are likely crucial to the CBRM when selecting potential partners. Developing a framework and ranking system will support the selection process.

<sup>29</sup> "Facts in Focus", City of Kelowna, 2018.

<sup>30</sup> Ibid.

<sup>31</sup> Powell, Naomi, "Revised B.C. housing tax still a turn off for out-of-province homeowners", Financial Post, March 2018.



### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Moderate:</b> The current number of surplus lots and available land supports a key factor regarding feasibility, yet attracting a developer to take-on a specific level of risk, and what potential investment or terms the CBRM would need to attract a potential partner, could require concessions and investment of resources from the planning department another supportive roles. Previous initiatives have produced mixed results, with some recent success emerging in business parks.</p>	<p><b>Economic Strength – High:</b> Increased development also creates employment opportunities, while seasonal residents improve the demand and opportunity for local businesses.</p> <p><b>Human Capital – Low:</b> If targeted developments are successful in driving seasonal residents to the region, the strategy provides little benefit to improving the human capital of the region. However, the opportunity to introduce new building techniques (shipping container homes, net-zero homes, solar roof) could benefit innovation and industrial development in the space.</p> <p><b>Livability – High:</b> The increase of seasonal residents provide a boost to municipal revenues while not drastically increasing the need for municipal services.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> The direct benefit to the CBRM comes in the form of additional revenues from the increase in dwelling units. Working with the private sector to drive strategic objectives will positively influence future partnerships and opportunities.</p>

### Potential Risks and Mitigation Strategy:

1) Regulatory hurdles and financial risks detract potential investment	
Anticipated Problem	There are certain risks associated with developing properties in an area with an on-going population decline. Specific concessions and incentives will likely be required to facilitate development, yet the ability to offer a level of grants to successfully drive development might be unattainable in the current framework.
Mitigation Strategy	Initiate discussions with potential developers early on in the planning process, with the HRM likely providing the best opportunities for identifying established developers who have a track record of successful projects that align with the CBRM's objectives.

### Recommendation 4: Expand Seniors Purpose Built Housing and Care Facilities

Although it is critical for the CBRM to attract and retain younger residents, the senior demographic comprises a large and growing segment of the population. Developing suitable and attractive options for seniors in urban areas will facilitate densification and provide additional benefits to older residents in the form of accessibility to essential services and increased social opportunities. Although the municipal government is not in a position to directly develop purpose built housing, the CBRM can support development through advocacy, zoning, incentives, and potential land sales.

**Current State:** The current segment of the population over the age of 65 accounts for over 25% of the population, with anticipated growth resulting from the attractiveness of the region to retirees. The CBRM's CAP program has been listed as a barrier for older residents interested in downsizing to a more suitable property, in addition to an apparent lack of options that align with the tastes and needs of residents. Increasing purpose-built developments for seniors, located in urban areas close to essential services provides benefits to users, the municipality, and potentially the province. Increasing densification and

utilizing available urban land coincide with a need for centralized seniors housing. The potential to improve medical and living support services will support the continued growth of the demographic and efficiencies in delivering municipal and provincial services.

### **Evidence: Moncton, New Brunswick**

Moncton markets itself as a senior-friendly city, with targeted services catering to the needs and lifestyle of older residents. The City has developed a Senior-Friendly Business Association, the Mayor's Senior Advisory Committee, and continues to invest in senior-focused community centers. The number of senior's apartment and condo-startups have significantly contributed to new development in the region, with a large number of new residents being seniors from Ontario and Quebec<sup>32</sup>. The City exemplifies a good approach to expanding seniors purpose built housing and care facilities.

### **Suggestions for implementation:**

1. *Explore the potential options available to the CBRM:* The current municipal government act will outline the tools and limitations available to the CBRM to facilitate the development of seniors care facilities. Developing a plan based on the current regulatory options will inform sequential planning steps.
2. *Select potential locations that align with proximity to essential services and future development plans:* The availability of land or existing buildings and the proximity to existing services and businesses will provide benefits to both users and the municipality.
3. *Identify potential partners and labour needs:* As an example, not-for-profit senior care providers might be interested in expanding operations with the municipality providing the facilities for a monthly fee. The expansion would also create opportunities for new careers and potential demands for increased immigration.
4. *Create a seniors advisory council:* Assess the potential interest of existing residents through focus groups and traditional methods to understand both the feasibility and challenges inherent in the potential project.

### **Ease of Implementation and Impact:**

<b>Ease of Implementation</b>	<b>Potential Magnitude of Impact</b>
<b>Low:</b> The high probability of required partnership with both the provincial government and private sector results in a number of hurdles outside the realm of the municipality's control.	<p><b>Economic Health – Moderate:</b> The potential to drive private investment in healthcare would create employment opportunities that could also support increased international immigration.</p> <p><b>Human Capital – Low:</b> The focus on an aging demographic will likely provide minimal improvements to the existing pool of human capital, however, advancements in senior care and opportunities to attract skilled foreign workers in the field could boost the overall human capital in the region.</p> <p><b>Livability – High:</b> Improvements to the experience and quality of life for seniors will also improve efficiencies regarding providing services to the region.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> The opportunity for improving service efficiencies through improved densification and coordination would provide the municipality with greater efficiencies</p>

<sup>32</sup> Retirement Miramichi, "Could New Brunswick Become the Retirement Capital of Canada?", June, 2017.

	while continuing to attract senior residents will contribute to a growing segment of the economy.
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### Potential Risks and Mitigation Strategy:

1) Existing residents are resistant to change or lack the needed resources to transition to a new property	
Anticipated Problem	The successes of the recommendations are dependent on a portion of the current demographic having both the ability and interest in moving to the seniors focused housing. If the transition doesn't occur, the project's benefits would not be realized.
Mitigation Strategy	Consult with existing seniors early in the process to understand the level of existing demand among residents and specific characteristics that support transitioning to senior-focused buildings.

### Recommendation 5: Improve Accessibility to the Region

Canadian airlines are increasingly expanding their low-cost offerings (Swoop, Flair, etc.) to smaller airports within Canada and abroad. The high cost of flights to Atlantic Canada has consistently been cited as a barrier for interprovincial tourism to the region. Additionally, facilitating the transfer and accessibility of goods and services is critical for improving the warehousing and logistic capacities of the region.

**Current State:** The CBRM's relatively remote location provides both opportunities and challenges. The port offers an ideal location for international trade access, yet weather conditions are known to present uncertainty during specific times of the year. Repairs to the rail-line could require as much as \$100M in to make it viable<sup>33</sup>, a key aspect for the potential development of a future container facility. Without improved connections to international transportation networks, further investment will likely be required to make the CBRM a viable logistics and warehousing destination. Additionally, the cost to directly access the region from major Canadian airports remains comparatively high, a barrier for tourism and potential investors. The Port of Sydney Development Corporation's wide development mandate includes the harbour and the development of its infrastructure, including marine, truck, rail and air transportation services<sup>34</sup>, as such members of the organization will continue to play a significant role in managing related projects.

#### Evidence: Moncton, New Brunswick

Moncton's nickname of "Hub City" provides some history to the City's focus on transportation and logistics. The historic investment in transportation and the City's strategic location have continued to benefit the region's activity as a transportation hub and exemplifies working towards this recommended strategy of influencing greater regional access. Some of the area's largest employers are directly related to warehousing and logistics and are benefiting from the increase in global trade and e-commerce.

#### Suggestions for Implementation:

1. *Consult with the airport to assess the process for increasing seasonal low-cost carriers and increased cargo traffic:* The recent rollout of ultra-low-cost carriers in Canada has primarily benefited consumers and smaller destinations receiving a bump in tourism. The potential for Sydney to attract such airlines during the seasonal peaks of summer would benefit both businesses and residents. The process for developing and attracting carriers begins with the airport.

<sup>33</sup> "Cape Breton rail line needs \$100M to handle container terminal traffic, according to study", Cape Breton Post, January 2018.

<sup>34</sup> As per the Cape Breton Partnership, Port of Sydney Development Corporation Mandate.

2. *Work with provincial and regional governments to bolster feasibility of increasing accessibility via the Sydney Airport:* The requirements for potential carriers to increase flights to the region may require some form of contribution or support from the municipal government.
3. *Assess the forecasted costs of incentivizing or attracting low-cost carriers during specific months and potential sources of funding:* An assessment of the required needs and consultation with appropriate representatives from the airport will provide a better understanding of the required investment.
4. *Assess the projected costs and schedule of repairing and maintaining the rail line to Truro:* Future investment and growth in the logistics and transportation sector will largely be influenced by improvements to the CBRM's current infrastructure. The rail line is a key piece of infrastructure that will contribute to future economic growth.
5. *Expand and Improve and broadband connectivity needs:* Accessibility also includes access to information. The expectation from most working-age citizens is increasingly leaning towards constant connectivity access. If residents and businesses don't have access to quality broadband, this will likely limit future growth in the region.

#### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<b>Low:</b> The CBRM is limited in its ability to influence the necessary inputs from private sector organizations to make a significant change in the region. Additionally, the potential costs or required concessions to improve infrastructure could be substantial.	<p><b>Business and Policy Environment – High:</b> Improvements to accessibility will directly benefit the business and policy environment through the improved transfer of goods and services.</p> <p><b>Economic Health – High:</b> Improvements to accessibility would bolster the CBRM's ability to develop the logistics sector and export driven industries.</p> <p><b>Livability – High:</b> Improving accessibility to the region would improve the attractiveness of living in the region for potential residents and investors.</p> <p><b>Human Capital – Moderate:</b> The level of human capital in the region will benefit from an increased flow of people and goods.</p>

#### Potential Risks and Mitigation Strategy:

1) The potential costs outweigh the benefits	
Anticipated Problem	The development of the second cruise ship berth is a leading economic initiative for the CBRM and closely tied to the redevelopment of waterfront areas. Similarly, any return on investment in increasing accessibility is dependent on utilization and demand for external services and won't necessarily translate to a direct return for the municipal region.
Mitigation Strategy	The importance of due-diligence, market studies, and dedicated resources that will contribute to the planning and implementation of critical economic strategies will support assessing and managing risks inherent in economic growth and infrastructure projects.

## **Recommendation 6: Utilize the Regional Enterprise Network to Support Skills Training, Align Job Seekers with Available Positions, Improve Collaboration with Higher Education Institutions, and Focus Resources on Industry Specific Research and Development**

Cities that consistently demonstrate a high level of coordination among the private and public sector, secondary education institutions, and government, also exhibit high-levels of research commercialization and entrepreneurship<sup>35</sup>.

**Current State:** Selecting which industries the region will focus its initial efforts should be informed by existing capabilities and resources. The region's experience in the fishing industry and proximity to suitable aquaculture sites align with the projected growth in sustainable food production. Focused investment in this area has the potential to provide the CBRM with a great starting point for industrial development. The CBRM consistently identified secondary education institutions as an important strategic pillar to leverage, aligning skills building programs with specific industrial growth objectives will support expanding education institutions.

- **The demand for sustainable fishing is growing rapidly:** As the health of the world's oceans continue to deteriorate and overfishing continues to threaten the sustainability of current practices, the demand for sustainable aquaculture is expected to spike in the coming years. With technology increasingly providing resolutions to the current environmental issues associated with farmed-fishing, the CBRM is well positioned to focus research investment in the aquaculture and industrial agriculture space.
- **The risks related to traditional fishing practices:** The environmental risks associated with traditional fishing have resulted in numerous areas of the world experiencing dramatic declines in fish stocks, jeopardizing the future sustainability of current fishing practices. Additionally, as a profession, traditional ocean fishing is considered one of the most dangerous occupations in Canada as a result of the high mortality rate. Transitioning the industry to sustainable aquaculture and food processing plants will positively influence job creation, job quality, and export demands.
- **Federal subsidies for aquaculture development:** Federal investment in the aquaculture space in the form of subsidies and research grants have increased over the previous decade. The need for sustainable food production is viewed as an economic and environmental priority for Canada and governments around the world.
- **Private sector investment** – Stewart Farms, a company involved in both industrial cannabis production and aquaculture, recently launched a facility in New Brunswick that will sustainably produce both products, creating hundreds of jobs in the process.
- **Food production** – Vertical integration and improved local refinement of resources will increase the economic strength of the region. The opportunities related to food processing are increasing as new technologies and markets facilitate the process of turning raw materials into finished goods. An example of a vertically integrated company involved in the manufacturing of pet food is an Edmonton based company, Champion Petfoods. The company exports its products to over 75 different countries and is in the process of developing a new state of the art facility that will employ over 500 individuals.

### **Evidence: Moncton, New Brunswick**

As an exemplary model, Moncton works closely with secondary education institutions and the private sector to align education programs with projected employment needs. With two universities and four colleges in the area, education is driving economic growth and supporting skills training. Private sector

<sup>35</sup> Busgang, Jeffery, Montuori, Craig, Brah, William, "How to Attract Startups and Tech Companies to a City Without Relying on Tax Breaks", Harvard Business Review, May 2019.



organizations contribute to the programs and faculties with both capital and resources to support future employment. The results have been a diversified and growing economy with one of the lowest unemployment rates in Atlantic Canada, ranking as one of the best cities in Canada to find employment<sup>36</sup>. In addition, Moncton also is home to several business incubators (i.e. StartUP Moncton) which provide resources, mentorship and support services to local entrepreneurs looking to launch businesses.

### Suggestions for Implementation:

1. *Develop an organization that consists of members from government, secondary education, and the private sector:* Selecting and confirming the roles and responsibilities of potential partners will be critical to align the needs of the municipality, the private sector, and education institutions. Developing and/or leveraging existing organizations with formal mandates related to mentorship, economic development, and entrepreneurship will support improved commercialization.
2. *Identify current municipal strengths to focus initial investment:* As noted, leveraging current capabilities and natural assets of the region will facilitate economic development. Aquaculture is expected to be a critical driver for global food production in the future. Cannabis is projected to thrive as an industry and provides employment opportunities that are relatively attractive to younger residents. Working with partners to identify and rank potential focus areas based on feasibility and requirements will support identifying specific skills to develop.
3. *Identify potential funding and investment sources:* The federal government has continued investment in the aquaculture space for the last decade<sup>37</sup>. The continued development of sustainable aquaculture will need to be driven by the private sector. However, support from municipal agencies and economic development organizations will facilitate the viability of industrial development. Utilizing external government funding and grants will support all parties working collaboratively to improve the economy.

### Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<p><b>Moderate:</b> The existing universities, organizations and private sector businesses will support the inception of business incubators. Additionally, the economic plan should focus on skills training for residents that are aligned with future economic drivers that support other local industries. Focusing on the existing natural and intellectual resources of the region make aquaculture and food manufacturing an ideal candidate for future investment.</p>	<p><b>Economic Health – High:</b> Increasing the existing knowledge base through investment in a business incubator will indirectly benefit the region through the advancement of core competencies, while also expanding education as a key component of the economy.</p> <p><b>Livability – High:</b> The quality, affordability, and availability of education all influence a city's livability ranking and directly contribute to a number of other competitive advantages.</p> <p><b>Human Capital – High:</b> Investing in skills training and research directly contribute to the quality and availability of the labour force, which in turn will improve and influence the other areas of competitiveness.</p> <p><b>Business &amp; Policy Environment - High:</b> Improving and adding to the level of opportunities and resources that support entrepreneurship will directly benefit the critical objective of improving the economic health of the region.</p>

<sup>36</sup> Kavcic, Robert, "Regional Labour Market Report Card", BMO Capital Markets, 2018.

<sup>37</sup> Fisheries and Oceans Canada, Fisheries programs and initiatives, sustainable fishing subsidies and agencies.

## Potential Risks and Mitigation Strategy:

1) Investing in skills training programs results in recently trained residents migrating to other cities	
Anticipated Problem	Investing in developing the necessary skills to support economic growth strategies can result in training individuals only to have them relocate for potential opportunities in a different location.
Mitigation Strategy	Ensure any investment or subsidization costs come with clearly stated conditions to the recipients regarding the intention and expectation of skills training programs.

## Operational

### Recommendation 1: Consolidate and amend how Fire Services are Delivered and Managed

Continue to work with the management of fire and emergency services to develop a service plan and organizational structure that reduces the current number of fire departments without impacting (and potentially improving) service coverage, while still satisfying a commitment to the much needed and appreciated volunteers.

**Current State:** The vast geographic region requires a comparatively high number of fire departments to provide sufficient coverage to the numerous communities in the area. However, as post-amalgamation approaches 25 years, the number of fire departments have remained unchanged even though there is strong evidence of redundancies. The Manitou Report, conducted in 2016, provided some strong recommendations regarding the management and organizational structure of the CBRM's fire service model. Although it appears that changes to the organizational structure are not as straight-forward as merely reorganizing the roles and responsibilities of different departments, the high likelihood of capturing efficiencies remain a strong incentive to continue exploring the best consolidation options.

**Evidence:** Although the specific recommendations contained in the Manitou Report likely require additional consultation to fully understand the feasibility and consequences of some of the proposals, the evidence base that is driving some of the recommendations appear to be well established. For example, consolidation of the high number of departments that are within a close proximity of one another, the current organizational structure of independent departments, and a funding structure that is increasingly being borne by the CBRM with little to no control over how the funds are spent, all pose financial and operational risks.

### Suggestions for Implementation:

- Create a committee consisting of members from various stakeholders within the CBRM and the Fire Department Services group:* The potential benefits to community members and the CBRM were outlined in the Manitou report, while the potential issues stem from some of the recommendations requiring additional funding that doesn't exist. Developing a dedicated taskforce to determine the best path forward while incorporating various stakeholder perspectives could drive progress in implementing a new service plan.
- Confirm the feasible options available to the CBRM regarding consolidation:* The existing barriers to consolidation appear to be mostly financial and political. Possible resolutions that accommodate communities and volunteers might make consolidation efforts more palatable. Narrowing the feasible options to a minimal list will facilitate developing a formal plan of action.
- Identify the required process for consolidating the roles, people, equipment, and facilities:* The development of a change management plan will facilitate the acceptance and transition to the new structure. The plan should incorporate all necessary details to accommodate stakeholders and potential communities that will be impacted by the change.

4. *Propose a new organizational structure which provides the greatest benefits to the region without disrupting service delivery:* After researching potential alternatives and consulting with impacted stakeholders, deliver a final recommendation and implementation proposal to municipal leaders for approval. The recommendation should be accompanied by a plan to standardize the current area fire rates into the base rate.

#### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Low:</b> The current organizational structure, nature of volunteer staff work, and ongoing negotiations with different stakeholder groups all contribute to a relatively challenging environment to enact meaningful change in an efficient manner. The current organizational structure provides little to no managerial authority over the volunteer organizations, with each community owning the equipment and facilities, and operating as an independent organization of volunteers. Any transfer of assets or potential reorganization structure would be more complicated as a result.</p>	<p><b>Livability – Moderate:</b> Amendments to the fire services have the potential to reduce the department’s current budget needs without impacting service delivery. However, potential disruptions to existing community halls and/or service delivery would both negatively influence livability in the region.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> An improvement in the efficiency of services and resources will provide the CBRM with more flexibility in the future, however, the nature of staffing volunteers will limit the financial benefits of consolidation.</p> <p><b>Human Capital – Low:</b> Amendments to the fire services delivery model would provide little to no improvements to the current human capital in the region.</p> <p><b>Economic Health – Low:</b> Amendments to the fire services delivery model would provide little direct benefit to the larger economy.</p>

#### Potential Risks and Mitigation Strategy:

1) Lack of acceptance from various stakeholders	
Anticipated Problem	Discussions with stakeholders revealed that the fire halls also double as the community centre in each location. Any closure of facilities could be seen as the closure of the community center and as such face political pushback.
Mitigation Strategy	The consolidation of specific fire departments can be framed as an opportunity to repurpose existing buildings to new community centres. The emergence of community funded workshops, shared centres providing tools and resources that typically aren’t available to the majority of individuals, have continued to gain momentum in urban centers across Canada.
2) Changes result in minimal financial benefits for the CBRM	
Anticipated Problem	The fact that the community members currently staffing the fire departments volunteer their time and energy doesn’t support the likelihood of achieving significant cost savings through consolidation.



Mitigation Strategy	Before any formal organizational structure is proposed, ensure that the accurate financial benefits that will result from the changes have been confirmed and provide the necessary return on investment to merit implementing the changes.
3) Changes result in a decline in service levels	
Anticipated Problem	Although one of the potential benefits resulting from a consolidation in services would be improved service delivery, there still remains a risk of a decline in overall response times resulting from any potential re-organization of service delivery.
Mitigation Strategy	Ensure that the proposed reorganization plan will not negatively impact delivering fire and rescue services within the region, with evidence based data supporting any proposed changes.

## Recommendation 2: Assess Potential Options for Improving Efficiencies of the Cape Breton Regional Police Services (CBRPS)

Assessing the effectiveness of the CBRPS (the relatively low crime rate, and the above average satisfaction with the CBRPS<sup>38</sup>), illustrate a department that is delivering valued services to the community in an effective manner. However, when assessing the efficiency of delivery, the comparatively high-number of officers, and the fact that the CBRPS has one of the larger department budgets, the CBRPS exhibit qualities that could potentially support consolidation.

**Current State:** The value that the CBRPS provides to the community is something that is not necessarily captured in statistics alone. Even when comparing one municipality to the next, the role that police services play in contributing to the overall health of a community is difficult to capture. Assessing the effectiveness of the CBRPS based on standard measures, the relatively low crime rate and infrequent occurrence of severe crimes both reflect the CBRPS effectiveness in contributing to friendly and safe communities.

However, the benchmarking exercise revealed a higher number of police to residents when compared to other cities, resulting in a department that has the second highest budget in the CBRM, primarily driven by wages. As a service that is largely dependent on the number of residents, a continued decline in population will not strengthen the case for the continued expenditure levels of the CBRPS moving forward, yet a continued increase in tourism will require resources that aren't captured in the current measure. Additionally, the higher proportion of the population in senior age categories are traditionally not associated with demographics that contribute to criminal activity.

### Evidence: Thunder Bay, Ontario

Thunder Bay was selected as an initial candidate for the benchmarking exercise, and although they ultimately didn't participate in the survey, a review of the City's background documentation and public information provided some insight into the region's current state of protective services and related social issues. Similar to the CBRM, the general population trend in the area has been a slow but steady decline, with the crime severity index consistently cited as a significant contributing factor.

Thunder Bay has consistently ranked as a city with one of the highest violent crime rates in Canada, leading the country in per capita murder rates in 2017. Thunder Bay's reputation as an unsafe city continues to deter residents and investment to the region. In the continued efforts to effectively manage the severity and frequency of violent crime, the Thunder Bay Police Service ended 2018 \$1.2M over their \$42M budget<sup>39</sup>. As policing costs increase and the population continues to stagnate, the per capita cost of policing is increasing annually, while the impact on violent offences has been marginal at best. The strained relationship between police and the local indigenous population has intensified in recent years, resulting

<sup>38</sup> As per the CBRM Budget 2017-18 Public Survey.

<sup>39</sup> Nagy, John, "Police Service Ran Nearly \$1.3M in Red", The Chronicle Journal, March 2019.

in a number of articles questioning the continued viability of the situation<sup>40</sup>. As evidence for both the risks that can increase when violent crime takes root within a city, and the potential ineffectiveness of allocating increasing amounts of municipal tax dollars to policing efforts aimed at resolving deeper social issues, should serve as guidance for the CBRM.

### Suggestions for implementation:

1. *Work with the CBRPS leadership group to discuss initial options:* The financial realities of the current situation need to be understood by all parties. An assessment of what level of services is most appropriate to the CBRM, both currently and in the future, should guide planning discussions. Working collaboratively with the CBRPS leadership group will support the development of feasible strategies to improve sustainability, however, an independent review might facilitate the process of change.
2. *Conduct a formal review of current and projected policing costs:* The development of potential strategies that will improve future expenditures of the CBRPS and a full assessment of the value the CBRPS is providing to the community will support any future decisions. The continued evidence of operational cost reduction strategies already being employed will limit potential options, as close to 93% of budgetary costs are directly related to wages.
3. *Identify and rank potential cost savings opportunities:* As noted throughout the report, the comparatively low crime rate in the CBRM is one of the strongest competitive advantages in the region. Any potential cost reduction strategies that negatively influence the crime rate are strongly advised against, however, as over 90% of the CBRPS is related to wages, it will be difficult to achieve further efficiencies without consolidating the number of active officers.

### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>High:</b> An initial review of the CBRPS can be initiated with little to no costs incurred by the CBRM. Alignment between all stakeholders regarding the risks posed to current expenditures from a continued population decline is essential as the level of policing is commonly attributed to the number of people living in a city.</p>	<p><b>Livability – Moderate:</b> The current state of crime and general feeling of safety in the communities are one of the CBRM's strongest attributes. Other cities that have experienced significant economic decline and outmigration are often characterized by higher rates of severe crime, an aspect the CBRM is extremely beneficial to have avoided. The benefits afforded to the municipality from a reduction in CBRPS expenditures will allow for increased spending in other areas or a decrease in taxation, however, if decreases in CBRPS expenditures result in increases to levels of crime in the region, corrective action should be implemented.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> Areas that are recognized for high levels of crime per capita are consistently destinations that attract lower levels of investment and entrepreneurship. Again, assessing the cost saving benefits against the potential risks to increasing rates of criminal activity should be undertaken to ensure the benefits to the community</p> <p><b>Human Capital – Moderate:</b> Any changes to the CBRPS that result in increases in crime will negatively influence the attraction and retention of new businesses and residents.</p>

<sup>40</sup> Edwards, Kyle, "Something must be done about the Thunder Bay police", Maclean's, Dec 2018.

	<b>Economic Strength – Moderate:</b> A reduction in policing costs would allow for the CBRM to allocate a greater amount of resources to capital projects and other areas that support economic growth, however, the total value recovered could be outweighed by the potential risks.
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### Potential Risks and Mitigation Strategy:

1) Potential for an increase in crime resulting from a decrease in expenditures	
Anticipated Problem	Any future amendments to curtail police expenditures might involve a decrease in the number of active officers in the CBRM. One of the strongest competitive advantages the CBRM currently has is the low crime rate and strong sense of safety in the communities. If a decline in police expenditures result in an increase in criminal activity, the result could significantly inhibit future population growth and strategic initiatives.
Mitigation Strategy	Monitor and assess the areas for potential efficiencies that have the highest likelihood of not impacting service levels. The current approach for community based policing has contributed to the lowest level of crime severity among all benchmarking participants.

### Recommendation 3: Develop the Necessary Processes, Systems, and Resources to Foster a Culture of Continuous Improvement within Municipal Departments

The expectation for municipalities to operate efficiently and effectively is increasingly resulting in the development of comprehensive performance metrics for all departments. Additionally, the exploration of opportunities to capture efficiencies in delivering municipal services through increasing the scope of specific roles and shared services, expanding partnerships with the private and not-for-profit sector, and utilizing advances in technology are being incorporated into municipal strategies. An additional benefit of utilizing formalized performance metrics is it supports transparency to taxpayers, providing greater detail to the costs, efforts, and value of municipal services.

**Current State:** Although the benchmarking analysis reaffirmed that the majority of the CBRM's departments are operating comparatively lean, a continued population decline and subsequent decline in revenues would influence the need for further consolidation or an increase in taxes. Additionally, several departments were still in the process of determining performance measures and strategic initiatives. The analysis of operational departments provided evidence of numerous best practices already being employed (i.e. resource sharing among buildings and fleet management) and staff exceeding their respective responsibilities to improve efficiency and effectiveness (numerous senior level staff fulfill the demands of multiple roles, acting on behalf of the municipality and the water utilities). Continued development of strategic planning, performance measurements, and innovative solutions to improve service delivery will continue to support the viability of municipal services.

#### Best Practice: HRM, Nova Scotia

Halifax's Economic Growth Plan (2016-21) is the guiding document for long-term decision making. The three high-level objectives of the plan are to 1) promote and maximize growth, 2) Attract & Retain Talent, and 3) Make Halifax a better place to live and work<sup>41</sup>.

<sup>41</sup> As per the Halifax Index, 2018.

To assess the effectiveness of the municipality in supporting the stated objectives, Halifax created the Halifax Index to assess municipal performance targets related to specific themes. The themes and performance indicators are as follows:

- **People:** Level of net interprovincial migration, level of net international immigration
- **Education:** Growth in population by highest education attained
- **Economy:** Municipal finance (tax-supported debt, municipal revenue by source)
- **Quality of Place:** Safety (Crime severity index, incidence of crime by category), Transportation (Halifax Transit ridership, Transit hours of service, City Matters survey results) Environment (Waste-diversion rates, renewable-energy supply)

Additionally, the HRM joined the Municipal Benchmarking Network of Canada in early 2016. The benchmarking network assess specific metrics related to municipal services against other members of the network. The criteria assessed ranges from facilities (measured by cost to maintain headquarter buildings by sq. ft., and energy consumption per sq. ft.) to investment management (measured by return on total investment portfolio)<sup>42</sup>.

### Suggestions for implementation:

1. *Standardization of strategic planning process for all departments:* Although some departments may find the nature of their respective roles facilitate the strategic planning process, the value of developing clear objectives and aligning performance measures for all departments is consistently identified as a common practice among world-class leaders in both the private and public sector. A logical starting point for every department is defining the service mission by answering **what** good or service the department is producing, **who** the intended recipient or benefactor of the service is, and **why** the service is needed<sup>43</sup>. Additionally, communicating annual timelines, developing key support services, and assigning key tasks to department leaders will contribute to the implementation process.
2. *Performance measures and reporting:* The formalization of the metrics that will be used to assess the performance of the various departments within the CBRM will contribute to setting department objectives. The planning process can coincide with budgeting exercises to align department requests with performance measures. The practice also provides a level of transparency to residents regarding how tax dollars are spent.
3. *Redesign necessary work processes to align activities with outcomes:* Introduction of performance measures is an ideal time to address any potential redundancies in processes and/or roles and introduce new approaches to service delivery.
4. *Potential incentive and recognition programs:* The need for communicating the purpose of change and providing incentives to motivate the necessary behavioral shifts have been recognized as essential for supporting desired outcomes in change management.
5. *Asset Management Program:* Discussions with the engineering and public works department revealed that the department is in the process of exploring, updating, formalizing and implementing a comprehensive asset management program. The task will provide a fair share of challenges as the state of specific tangible assets upon amalgamation was not well documented, the geographic region and number of tangible assets that the department is responsible for are both large, and the on-going nature of continuous maintenance and replacement will place a strain on the on-going progress of the project.

<sup>42</sup> MBNCanada Performance Measurement Report, Municipal Benchmarking Network Canada, 2017.

<sup>43</sup> Performance Measurement: Using Performance Measurement for Decision Making, FMCBC Recommended Practice, 2006.



### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Moderate:</b> Specific departments within the CBRM are already utilizing the recommended practices, while others are in the process of formalizing measures and objectives. The cost and capabilities of existing CBRM resources contribute to the ease of implementation. However, the process of ensuring change management protocols are employed, and result in the desired objectives driving the change can be resource intensive.</p>	<p><b>Livability – High:</b> The continued improvement to the efficiency and effectiveness of delivering municipal services will directly benefit the livability in the region through lowering municipal expenditures while effectively contributing to key attributes, such as crime and safety.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> An efficient government influences both the ease of doing business within a region as well as the overall tax burden levied to businesses. Improvements to both will support the business and policy environment.</p> <p><b>Human Capital – Moderate:</b> Municipalities that implement industry-leading best practices, such as rewarding and incentivizing efficiency, are routinely linked to improved levels of human capital and intellectual goods.</p> <p><b>Economic Strength – Low:</b> Improvements to municipal services will not directly improve the economic strength of a region, however, efficient municipal services contribute to the ease of doing business within a region which supports economic growth.</p>

### Potential Risks and Mitigation Strategy:

1) Diminished ability to attract and retain talented workers	
Anticipated Problem	The continued trend of asking CBRM staff to essentially do more with less has its limits. If staff continue to have roles expanded with little to no increase in remuneration, the likelihood of potential departures of key staff and inability to attract new, quality candidates to roles could outweigh potential benefits.
Mitigation Strategy	Most behaviour theorists recognize the need for some form of reward structure in the successful development of new behaviours that are different from the ingrained habits exhibited within organizations and individuals. As such, the potential for performance incentives or some form of recognition will support the continued development of a performance driven municipal culture.

### Recommendation 4: Explore the Potential Benefits of Partnerships with External Organizations

There are a number of areas currently delivered by municipal services that could potentially benefit from expanding partnerships with the not-for-profit sector. Additionally, collaboration with Membertou First Nation has resulted in mutually beneficial projects and services. Although the CBRM currently partners with a number of external organizations, internal reviews and consultations with specific partners could provide grounds for an initial business case for expanded partnerships.

**Current State:** Discussions with internal departments revealed historic instances of partnering with external organizations to support the delivery of specific services. Some instances have produced successful working partnerships (i.e. solid waste, snow removal), while others have resulted in significant

costs (i.e. previous Bayplex operators) borne by the municipality. Identifying where potential partnerships are possible and what benefit they provide to the CBRM will support the most efficient use of municipal resources.

### **Evidence: Saint John, New Brunswick**

An example of a partnering approach is Saint John, which has outsourced the operations of all community centers and recreation programs to third party organizations such as the YMCA and Boys and Girls Club. The overall funding is part of the Neighborhood Improvement and Community Development Service grants and totaled \$1.5M in the 2019 operating budget.

### **Suggestions for Implementation:**

1. *Work with internal directors to identify and assess potential opportunities for partnership:* The list of potential municipal services that will exhibit candidacy for external partnership will be dependent on feasibility.
2. *Rank the feasibility and potential benefits of the proposed partnership:* Develop a framework identifying the benefits provided to users, partners, and the CBRM through potential partnership, ranking opportunities based on total benefits to all groups.
3. *Identify what needs must be fulfilled by the CBRM for successful partnerships:* Partnering with external organizations and expanding services to other areas comes with a level of risk, as demonstrated by the previous partnership with the Bayplex operators. Defining the necessary requirements and ensuring the partnership will provide the required benefits will support the decision making process.
4. *Approach partners to initiate negotiations:* Once potential opportunities are prioritized, schedule meetings with appropriate representatives from identified organizations to assess requirements and an initial roadmap for implementation.

<b>Ease of Implementation</b>	<b>Areas and Potential Magnitude of Impact</b>
<b>Moderate:</b> The CBRM continues to work with external partners in a variety of capacities with varying degrees of success. Identifying what partnerships make financial and operational sense, and then implementing the partnerships, will likely be time consuming and present challenges in implementation.	<p><b>Economic Health – Moderate:</b> Collaborating with external entities such as Membertou First Nation will continue to drive the economic health of the region through the completion of mutually beneficial projects.</p> <p><b>Livability – High:</b> Reorganizing resources to improve upon the efficiency and effectiveness of municipal services will support continued improvements to livability on the region.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> Providing business opportunities to the private sector can support improvements to the business environment through reinvesting tax revenues into the local economy, supporting the creation of new business ventures.</p> <p><b>Human Capital – Low:</b> The potential to leverage municipal tax dollars to start independent businesses can support the level of human capital in the region, but the likelihood and impact are comparatively low.</p>

### **Potential Risks and Mitigation Strategy:**

- 1) Partnerships potentially result in an increase to costs and a decline in service



Anticipated Problem	The potential risk of outsourcing services is that the CBRM relinquishes a level of control regarding the effectiveness of service delivery. Any benefits to efficiency could be offset by decreases to effectiveness and long-term costs.
Mitigation Strategy	Proper due diligence regarding the selection of partners and establishing mechanisms to ensure effective levels of municipal service are maintained will support the development of effective partnerships.

### **Recommendation 5: Explore the Benefits and Drawbacks of Transitioning to a Municipal Structure Consisting of Three Districts**

Although the communities and towns that comprise the CBRM have strong cultural identities, the reality is the areas are essentially suburbs of the CBRM. Prioritizing development of strong urban cores have strongly contributed to accelerated growth in large municipalities across Canada. The current governance structure of district representation supports independent perspectives, placing councillors in competition with one another over limited resources. Amending the representation to reflect three districts of Northern, Central, and Eastern could support improving larger regional objectives and mentalities.

**Current State:** Although there has been tremendous progress made regarding consolidation and unification following amalgamation, consultations with representatives from the CBRM routinely identified the existing and historical political structure as an ongoing hurdle for progressing regional objectives. The current model sees elected councillors from the 12 districts pursuing initiatives reflecting the perspectives of voters in their respective districts. Foregoing district priorities for larger regional projects could likely result in councillors losing their seat if voters feel district views are not being prioritized. The inability to develop a unified identity has at times resulted in districts clashing over strategic objectives and placing excess demands on an already strained municipal government. For example, it was revealed that all eight former municipalities all hold independent events regarding seasonal festivals (i.e. Canada Day, Christmas Festivals), an occurrence that would likely not be found in municipalities of far greater size and population.

#### **Evidence: Moncton, Dieppe, and Riverview, New Brunswick.**

The three cities of Moncton, Dieppe, and Riverview are in such close proximity to one another that the boundaries separating the areas are being increasingly scrutinized by taxpayers. The results of a survey administered to residents from all three cities suggested 59 percent of residents supported the idea of amalgamation<sup>44</sup>. The Greater Moncton Metropolitan Area is already providing shared services and coordinating larger strategic objectives through regionalization. However, additional redundancies clearly exist and while residents in communities fear losing their identity, many residents have realized expanding municipal services and reorganizing government structures provide tangible benefits that likely outweigh the perceived loss of identity.

#### **Suggestions for Implementation:**

1. *Develop a potential model with an amended district representation model to support regional planning:* Assess potential organizational structures that provide the CBRM with an improved ability to balance the needs of residents and strategic initiatives of the CBRM that is not dependent on district representation.
2. *Survey residents to assess the appetite for the proposed changes:* Any changes to the governance model would likely need significant input from residents in order to progress. Formulating a public consultation campaign will support progressing any potential amendments to the current governance structure.

<sup>44</sup> "Residents continue to support the amalgamation of Dieppe, Riverview, and Moncton", Corporate Research Associates, May 2018

Ease of Implementation	Areas and Potential Magnitude of Impact
<p><b>Low:</b> Reorganizing the political governance structure of the CBRM would require significant political will and alignment among existing districts. From a review of historical perspectives, it appears consensus among existing districts would be difficult to achieve in an efficient manner.</p>	<p><b>Economic Health – Moderate:</b> The improved ability to create alignment among municipal representatives regarding strategic priorities will positively influence the economic health of the region.</p> <p><b>Livability – Moderate:</b> Improving a unified regional strategy and shared regional identity will support initiatives that provide continued benefits to all residents in the long-term.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> The improved ability to create alignment among municipal representatives will support continued improvements to the business and policy environment.</p> <p><b>Human Capital – Low:</b> Amendments to the governance structure will do little to directly influence the levels of human capital, but improving the agility of decision making among councillors and prioritizing improvements to human capital will support growth in the long-term.</p>

#### Potential Risks and Mitigation Strategy:

1) Lack of support among residents	
Anticipated Problem	It appears that a number of residents are still not pleased with events that occurred as a result of amalgamation, which is approaching the 25 year milestone. The general attitudes reflecting amalgamation presuppose that further changes to governance will not be positively received.
Mitigation Strategy	The current system of governance supports the perspectives of independent districts over regional perspectives. Reassuring residents that amendments will provide the region with improved decision making capabilities that will benefit all residents in the long-term, supported by a well-defined plan, will support buy-in from residents.

## Policy

### Recommendation 1: Explore Potential Solutions to Expedite the Processing of Delinquent and Abandoned Properties

As the CBRM seeks to develop and repurpose specific areas with vacant properties, the current tax sale process and the associated complexity appears to be adding to the high number of properties lying vacant. Previous auctions have resulted in properties that have sold for a fraction of the assessed value during the tax sale auction (winning bids as low as \$600), with buyers routinely sitting on the land as a low-cost, low-risk investment. As an increasing number of strategic properties transfer to independent buyers who have historically foregone developing the sites, the CBRM loses the ability to transition larger areas of vacant land into redeveloped areas.

**Current State:** The high number of abandoned and tax-delinquent homes has resulted in a back-log of receivable taxes and a lengthy administrative process to transition the property to a tax sale. Additionally, the cost to potentially demolish and maintain the property increases costs that are rarely recovered from the current sale process.

**Evidence:** The high occurrence of vacant and abandoned properties appears to be occurring at a level that is somewhat unique to the CBRM. Outside of Canada, numerous urban and rural centers across the U.S. are dealing with the increasing trend. Some potential resolutions have included property and land sales to developers based on preapproved development plans, and volunteer mandates by property owners facing outstanding debts with the inability to pay. It is clear that there is no standard solution to this challenging problem, yet any improvements will benefit all parties.

### Suggestions for Implementation:

1. *Identify the legal hurdles and barriers that delay the processing of abandoned and vacant homes:* The legally required due process can significantly delay transitioning vacant homes to tax sale. Any potential to expedite the process through agreements with existing parties are improved efforts to locate and serve the identified property owners could improve wait times.
2. *Assess the current level of resources available to process tax delinquent homes and if additional resources will improve the duration:* The process of working through the lengthy backlog of delinquent homes is tedious, and furthermore, has the potential to continue to grow with new homes entering delinquency.
3. *Assess potential options to improve the duration or collections relating to specific homes:* Identifying the feasible opportunities that maintain the required due process while improving the number of homes currently transitioning to tax sales.

### Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<p><b>Low:</b> The potential options available to the CBRM could ultimately be quite limited, while the ease of administration producing additional challenges. Identifying and implementing solutions that support providing resolutions to the current trend will be undeniably difficult, however the impact the trend is having on both the municipality's revenues and on communities facing large numbers of vacancies merits further research.</p>	<p><b>Economic Health – Moderate:</b> Making larger areas available for purchase and development will support building and densification objectives, supporting the economic health of the region.</p> <p><b>Livability – High:</b> The current number of delinquent and abandoned properties are negatively influencing real estate values, the general aesthetics of communities, and posing risks to residents. Improving the neighborhoods and densification will directly improve livability in the CBRM.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> The current tax sale process might provide an opportunity for improved planning for specific areas. As the current method results in the CBRM foregoing a large amount of uncollected taxes as the sale price of properties is insufficient to cover the outstanding balance, all improvements should be welcomed by both residents and the CBRM.</p> <p><b>Human Capital – Low:</b> The potential improvements to planning and development will provide little impact to the overall level of the human capital in the CBRM.</p>

### Potential Risks and Mitigation Strategy:

1) Ensuring credible processes are maintained and implemented	
Anticipated Problem	As frustrating as the administrative burden can be, a number of the mandatory legislative requirements exist to ensure proper due diligence and accordance with

	existing legislation is maintained. Any changes to processing delinquent or vacant homes could increase the legal risks for the CBRM.
Mitigation Strategy	Leverage the CBRM's legal resources to support the development of a strategy that ensures that legal risks are accounted for and mitigated.

## Recommendation 2: Assess and Prioritize Mid-term Capital Needs and Develop a Business Case Process to Request Additional Funding

There is an economic basis that increased financial contributions from the federal and provincial governments will be necessary for the continued sustainability of the community over the mid-term. As investment in the communities support improvements to the economic health of the region, the benefits to all levels of government will be realized through increased economic activity. It is critical that the costs and transfers to the CBRM support growth objectives, as the increasing costs from other levels of government are contributing to economic stagnation.

**Current State:** The CBRM has cited the poor condition of the region's infrastructure and the on-going lack of financial resources as a constant hurdle. The trend of lower net provincial funding arising from increases to mandatory municipal contributions to the province and the fixed contribution from the Municipal Fiscal Capacity Grant is negatively influencing these challenges.

### Evidence: The Private Sector

Private enterprises seeking funding from investors and financial institutions have to provide financial records, business plans, and growth strategies prior to successfully securing financing. While the public sector is fundamentally different in a number of areas, defining how external funding will support strategic plans and the potential return on investment and value to both the province and the CBRM will facilitate external investment from other levels of government.

### Suggestions for Implementation:

1. *Formalize a process for preparing and submitting business cases to the province for the revenue adjustments the CBRM is seeking, the rationale for the adjustment, and the intended use of funds:* Although the provincial government is under no obligation to adjust the current level of funding, improvements to the economic situation in the CBRM will be mutually beneficial to both entities. Developing a process for developing and submitting business cases for funding requests will support investment from other levels of government if clear economic benefits are defined.

### Ease of Implementation and Impact:

Ease of Implementation	Areas and Potential Magnitude of Impact
<b>Low:</b> Aspects of the current regulatory hurdles have significantly impaired progress regarding enacting change in the past. Additionally, the province has cited limited financial resources as a constraint as well.	<p><b>Economic Health – Moderate:</b> The economic benefits to the municipal government will increase the level of capital spending available for infrastructure projects that support economic growth.</p> <p><b>Livability – Moderate:</b> Increases to the level of external funding would provide the municipal government with additional funding resources for municipal services, investment in infrastructure, and the ability to maintain current taxation levels.</p> <p><b>Business &amp; Policy Environment – High:</b> The ability to accurately assess the level of economic need in the region will support the municipal government's ability to operate more effectively as the</p>

	<p>current financial strain is severely limiting budgeting and advancements.</p> <p><b>Human Capital – Moderate:</b> Investment in capital projects will create employment opportunities and specialized project needs that support improvements to human capital.</p>
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### Potential Risks and Mitigation Strategy:

1) The provincial government's limited financial capacity	
Anticipated Problem	The provincial government also faces considerable financial hurdles and has to balance the needs of Nova Scotia's municipalities with limited financial resources. Although the CBRM's rationale and intended use of additional funding could be valid, the level of funding could simply not be available.
Mitigation Strategy	Develop an improved process for working with the province regarding future capital requests. The development of an evidence-based business case process and the appropriate amount of time for consultation with other levels of government will ultimately support the future success of securing investment.

### Recommendation 3: Implement Property Tax Incentives for Urban Residential Development

**Current State:** As the CBRM works to focus commercial development in key areas through the implementation of commercial tax incentives, residential densification continues to stretch service delivery and infrastructure needs. It is critical to incentivize the outcomes the CBRM is seeking to achieve, and from consultations with the planning department, there appears to currently be disincentives (i.e. increased costs for sewage, sidewalks, and laneways) for developing new properties in areas that would improve densification.

#### Evidence: Saint John, New Brunswick

As an example of incentives being used in such a manner, as Saint John looks to reverse the ongoing trend of vacant and deteriorating properties in addition to improving densification, the City has implemented residential development incentives for key urban areas. Saint John's incentives include<sup>45</sup>:

- **Residential Density Grant:** The residential density grant pays eligible projects a grant of 5.25% of construction costs over five years to a maximum grant of \$122,500. Eligible construction costs include the total cost of constructing the development project, including site preparation, mechanical, and electrical work.
- **Building Permit Grant:** The building permit grant provides a grant equal to 80% of the cost of the building permit fee to a maximum of \$10,000.
- **Construction Challenges Grant:** The construction challenges grant pays a grant of 25% of the cost of construction challenges to a maximum of \$50,000 or 5% of project costs, whichever is lower. The grant is available on a first-come, first-serve basis until budget resources are exhausted. Eligible challenges include but are not limited to remediation of contaminated soils and extending sewer services.

#### Suggestions for Implementation:

<sup>45</sup> As per the Saint John Incentives Program, Infill Development Program, Vacant Property Program, and Upper Floor Revitalization program.



1. *Develop specific grants and tax incentives for development in key urban areas:* Align tax incentives and development grants with key urban centers that align with overall densification objectives.
2. *Make necessary amendments to the Municipal government Act to implement the incentives:* The CBRM is familiar with the process of passing tax incentive legislation as it recently implemented By-law C-300. Expanding the incentives to include residential properties in urban areas would essential follow the same process.
3. *Market and promote the incentives to developers and the public:* Once legislation is enacted, the CBRM should promote the incentives both locally and abroad to generate potential interest from external developers and investors.

Ease of Implementation	Potential Magnitude of Impact
<b>Moderate:</b> The CBRM recently worked with the provincial government to enact a by law to incentivize commercial development through municipal tax incentives. Although enacting legislative change is not trivial, the process would follow a similar formula as the commercial incentives, supporting the ease of progressing with the program.	<p><b>Economic Health – Low:</b> Although direct impacts to the economic strength of the region would not likely occur as a result of densification efforts and incentives, focusing development in key urban areas will support local businesses in the urban core, which in turn drives the economic strength of the region.</p> <p><b>Livability – Moderate:</b> Increasing densification in areas will improve the daily living conditions for a number of residents and support the improved efficiency of delivering municipal services and infrastructure.</p> <p><b>Business &amp; Policy Environment – High:</b> The municipal government providing incentives to progress strategic objectives is a strong example of a business-friendly policy environment and will support future investment.</p> <p><b>Human Capital – Low:</b> The direct benefits of residential development will not significantly influence the level of human capital in the region.</p>

#### Potential Risks and Mitigation Strategy:

1) Potential subsidies and grants don't translate to completed projects	
Anticipated Problem	The inherent risks associated with incentivising development in key urban areas are relatively low when considering a lack of any foregone revenues, however, as grants and rebates are provided to new developments, the risk of project delays and/or unfinished projects could result in lost revenues for the CBRM.
Mitigation Strategy	Ensure that a clearly defined eligibility criteria exists and is understood by potential developers, with a well-defined process for accessing incentives. Additionally, ensure that grants and subsidies are provided upon project completion.

#### Recommendation 4: Increase International Migration to the CBRM

As cities across Canada manage the ongoing themes of declining fertility rates and aging populations, dependence on attracting key demographics from the international community is increasing. The CBRM's current level of international immigration will likely need to increase to effectively reverse the current population trend.



**Current State:** The most recent figures relating to international immigration to the CBRM illustrate a relatively flat number of new migrants relocating to the CBRM, with the total number of immigrants between 2011 and 2016 amounting to 275<sup>46</sup>. If the CBRM increased their annual international migration numbers by 200 individuals a year, the net impact would significantly contribute to reversing the current population trend while adding key demographics to the region.

#### **Evidence: Moncton, New Brunswick**

Moncton, a city that has prioritized international immigration as part of its strategy, has admitted an average of 750 international immigrants annually to support their ambitious growth plans<sup>47</sup>. The results of creating a diverse workforce have benefited the cultural makeup of the region. As the region expands its industrial sector, it is leveraging partnerships with both secondary education institutions and the private sector to develop the in-demand skills that will support economic growth while supporting successful integration into the communities of Moncton.

#### **Suggestions for Implementation:**

1. *Assess what future growth sectors will create specific labour shortages and needs:* Specific sectors of the economy will potentially require additional labour that can be effectively filled through increasing international migration (i.e. seniors care).
2. *Consult with federal and provincial organizations to understand all requirements for securing international migrants:* Supporting the ease in which interested parties can apply for entrance to the CBRM will facilitate the growth in the region. Developing a detailed page of checklists and understanding the required processes at other levels of government will support the objectives of increasing international immigration.
3. *Work with third-party immigration institutions to facilitate the process of sourcing suitable foreign candidates:* The contribution from external partners focused on the screening and selection of suitable candidates will support the CBRM's objectives of increasing population through increased international migration.
4. *Set annual growth targets for international immigration numbers that align with specific employment opportunities:* Creating international migration targets and specific requirements the CBRM and the private sector would need to meet to achieve the targets, will positively influence a focused approach to international immigration.

#### **Ease of Implementation and Impact:**

Ease of Implementation	Potential Magnitude of Impact
<b>Low:</b> Without specific labour needs that cannot be filled by existing residents, the CBRM will find challenges in attracting foreign workers. The current level of unemployment results in a lengthy backlog of potential candidates seeking employment and meriting consideration prior	<p><b>Economic Health – Low:</b> The current lack of economic growth will inhibit the ability to absorb new migrants, contributing to a sluggish economy. Economic strength needs to improve independently before immigration can contribute to the continued expansion of the economy.</p> <p><b>Livability – Moderate:</b> Increasing the population is critical to the CBRM to achieve future sustainability, which will ultimately influence livability in the region. However, increasing the number of international immigrants can present additional issues that negatively influence livability for both existing and new residents, so it is critical</p>

<sup>46</sup> As per Stats Canada, CBRM, Census 2016.

<sup>47</sup> As Per the "Moncton Wins" campaign which is available on the City of Moncton's website.

to seeking external candidates.	<p>to support the proper selection of candidates that exhibit the highest probability of integration and success within the CBRM.</p> <p><b>Business &amp; Policy Environment – High:</b> The benefits that international perspectives and diverse skills can provide to a business environment are well documented and will benefit the growth of a competitive economy.</p> <p><b>Human Capital – High:</b> Increasing the level of international migration will positively influence the knowledge base, diversity, perspectives, culture, and skills within the CBRM.</p>
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### Potential Risks and Mitigation Strategy:

1) Lack of employment opportunities will limit immigration capacity	
Anticipated Problem	As previously noted, the ability to attract and retain international migrants is highly dependent on the continued improvement to the economic health of the region. The current unemployment rate of close to 16% doesn't support introducing new international residents to the market.
Mitigation Strategy	Designing an economic growth strategy with international immigration as a key initiative and will support objectives for both population growth and improvements to economic prosperity. Identifying what future growth industries are currently facing a skills gap from the existing population will support the development of a focused immigration plan.

### Recommendation 5: Continue Exploring Alternative Revenue Sources

The Municipal Government Act (MGA) contains a number of legislative conditions that limit the municipality's ability to generate revenues from sources other than property taxation. One of the key factors that will contribute to improving the local economy is improving the level of discretionary income among residents. While examples of innovative methods can be evidenced, such as the monthly tax installment program, the continued ability of the municipality to increase revenues without relying on broad-based tax increases will provide benefits to both residents and the municipal government.

**Current State:** The Municipality has looked at potential alternative sources that will provide additional revenues without broad-based increases to municipal taxes. Two potential options include the creation of a local lottery, or seeking additional revenues from the provincial portion of cannabis taxation. Both represent opportunities to generate revenues outside of the traditional means, an aspect that will increasingly benefit the CBRM moving forward. Increasing monthly tax installment users could also benefit the CBRM and require minimal changes to services.

#### Evidence: Kentville, Nova Scotia

The Department of Municipal affairs mentioned a number of municipalities currently utilizing an investment fund, with specific mention of the investment policy utilized by the Town of Kentville. The Town of Kentville originated the Perpetual Investment Fund in March 25, 2004, establishing both a method and policy for investing municipal dollars in the Canadian equity and bond market<sup>48</sup>. Recent amendments to the types of securities Canadian municipalities can invest in led to a policy change allowing the fund to invest in the U.S. equities market. The town's 2018 report identified that since the fund's inception, \$12.6M has been transferred to the Town's operating fund, and approximately \$2.6M

<sup>48</sup> As per the Finance Kentville Memo regarding perpetual investment fund policy statement update, May 7th, 2018.

transferred to the Town's capital reserve fund<sup>49</sup>. As of March 31, 2018, the market value of the fund was \$12.8M<sup>50</sup>.

### Suggestions for Implementation:

1. *Narrow and rank potential options based on an established criteria:* Discussions with the CBRM identified the exploration of a potential lottery, new provincial revenues from the legalization of cannabis that could provide a contribution to municipal revenues, or municipally owned seniors facilities that are leased to not-for-profit operators are all potential examples to be explored and assessed.
2. *Assess the current limitations from the Municipal Government Act (MGA):* Specific regulations listed in the MGA prevent the CBRM from participating in a number of economic activities. Many cities across Canada have continually amended the legislative barriers that limited potential economic growth.
3. *Consult with other municipalities and the Province to discuss best practices and lessons learned through their experiences:* The Department of Municipal Services will likely be in a position to provide both guidance and contacts that will support navigating the required hurdles associated with the development of approved revenue generating activities and investments (i.e. an investment fund).
4. *Incorporate findings into the first iteration of the CBRM Charter to progress on-going amendments with the Province:* Any proposed amendment to current legislation will have to be accompanied by a strong business case outlining the rationale, benefits, and risks associated with the potential amendment.

### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Moderate:</b> Current initiatives to develop a new municipal charter align with the stated goals of growing alternative revenue sources and the potential amendments to current legislation that are acting as a barrier to future development. Other proposed objectives, such as expanding the number of monthly tax payers, are an expansion of existing services and processes that will have minimal costs for implementation.</p>	<p><b>Economic Health – Moderate:</b> Increasing alternative revenue sources will provide benefits to the municipal government's revenues without needing to continually increase taxation, however, increasing mandatory costs of doing business or competing with private sector organizations can negatively influence economic strength.</p> <p><b>Livability – Moderate:</b> Growing revenue sources that aren't consistently borne by residents allows for increased investment by the municipality while providing increased discretionary income to residents.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> Increasing the alternative revenue sources that align with consumption or user fees will benefit the local business environment if it reduces the dependence on property taxation. However, increasing user fees and mandatory business costs can deter investment in the same manner as increasing taxation.</p> <p><b>Human Capital – Low:</b> Alternative revenue sources will benefit the municipality's financial position but will provide little direct value to improving the level of human capital in the region.</p>

### Potential Risks and Mitigation Strategy:

- 1) Alternative revenue sources contribute to mandatory costs and negatively influence social wellbeing

<sup>49</sup> As per the Town of Kentville Annual Financial Report and consolidated financial statements, March 2018.

<sup>50</sup> Ibid.

Anticipated Problem	Efforts to increase alternative revenue sources have the potential to result in increases to user fees and penalties, which can contribute to the unintended consequence of slowing local economic activity. Additionally, “vice taxes” can benefit municipalities at the expense of social health in the community.
Mitigation Strategy	Develop a framework identifying the costs and benefits with each potential option and weigh the options according to net benefit to the region.

### Recommendation 6: Prioritize Capital Spending on Projects that Align with Long-term Strategic Objectives

The required wastewater upgrades have highlighted the difficulty of balancing mandated regulatory projects with infrastructure projects that progress strategic initiatives. Although the worst-to-first mentality for prioritizing capital spending has the benefit of providing equity among residents and communities, the risk of allocating funds to projects that do not support strategic priorities will delay project timelines and the associated potential economic benefits. Application of a framework to work out priorities can be beneficial in making good decisions.

**Current State:** The current strategy of worst-to-first sees the municipality assigning future capital spending based on a project’s determined need and the current state of the assets in question. In addition to the internal processes, regulatory demands from external bodies (i.e. the federal government and wastewater treatment) supersede internal criteria, potentially resulting in further delays to strategic initiatives that align with larger municipal economic strategies.

#### Evidence: Saint John, New Brunswick

Saint John cited previous experiences of pursuing specific projects based on the level of external funding. The result has at times been allocating resources to projects that don’t progress municipal objectives and result in on-going operational costs, which continually draw capital from other areas of municipal services. As a result, the municipality developed the following framework to prioritize capital projects, all of which must be aligned with the long-term financial and strategic plan:

- **Mandatory:** Must be completed due to legal or regulatory requirements.
- **Risk:** Required to mitigate liability associated with health, safety, and sudden asset failure.
- **Priority of Council:** As stipulated in the long-term financial plan, supported by evidence-based asset management recommendations, and alignment with the City’s strategic plans.
- **Positive Financial Impact:** Capital request supported by a business case that demonstrates a positive financial impact for taxpayers.
- **Discretionary:** New assets which aim to increase or enhance service levels to residents and taxpayers.

#### Suggestions for Implementation:

1. *List and prioritize the planned five-year capital expenditures that align with determined economic strategies:* The development of the second port berth, the potential for a future container facility, and the relocation of the NSCC are all examples of future economic drivers that will likely influence future capital needs and opportunities.
2. *Develop a framework for assessing the overall importance and alignment of the projects:* If focused densification efforts are listed as a key priority for the CBRM, projects that support and facilitate the likelihood of achieving those objectives should receive a higher score over projects that do not.

3. *Align the framework with the CBRM's financial and strategic plans:* The prioritization of capital projects should complement and align with the financial and strategic objectives being pursued by council. This aspect reinforces the importance of a developed strategic and financial plan to support the budgeting and decision-making process.

#### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<b>Moderate:</b> The development of a more formalized framework for assessing strategic direction isn't drastically different from the current methodology and budgeting process, however, any amendments which result in the delay of projects that hold significance for specific communities will likely be accompanied by political pushback.	<p><b>Economic Health – High:</b> Focusing mid-term capital investments on projects that support economic objectives will directly bolster and accelerate the economic health of the region.</p> <p><b>Livability – Moderate:</b> Accelerating projects that align with strategic objectives will provide benefits to the overall livability of the region. However, delayed projects related to specific areas of the City will negatively impact livability for specific residents.</p> <p><b>Business &amp; Policy Environment – Moderate:</b> The political challenges that may accompany a prioritization of specific regions will negatively influence the political environment, yet focused development of specific regions (i.e. downtown Sydney) will support improvements to the business environment.</p> <p><b>Human Capital – Low:</b> Prioritized infrastructure development will provide minimal benefits to the levels of human capital in the region.</p>

1) Potential communities and segments of the population feel slighted by capital allocation	
Anticipated Problem	Districts that have infrastructure projects delayed in favour of other short-term projects could potentially create political unrest among districts that feel their tax dollars are being allocated to other regions.
Mitigation Strategy	Develop and reference the economic strategy for the region and the importance and benefit of progressing specific strategic initiatives, specifically ones aligned with economic development.

#### Recommendation 7: Explore the Feasibility of Multiple Commercial Tax Categories or Lowering Commercial Tax Rates

The current commercial property rates are comparatively high when benchmarked against other Canadian cities, with the consensus being that the higher the overall tax burden, the lower the attractiveness for new business entrants. For a region that urgently needs to stimulate economic activity and job creation, a high commercial tax burden adds a barrier to those objectives. Amending the commercial rates by creating separate categories with different rates could more accurately reflect the businesses ability to pay. Alternatively, developing a strategy that ultimately results in lower commercial tax rates will support the economic objectives of the region and increase the CBRM's competitiveness on that front.

**Current State:** The relatively broad-based rate for all commercial properties has different implications for different businesses. For example, a commercial property in Sydney with an assessment of over \$2M would face an annual municipal tax bill of over \$100,000 annually. For some businesses, this amount would be considered a significant annual cost and influence ongoing sustainability. Furthermore, although the practice of levying higher commercial rates is common practice among Canadian municipalities, the rational that commercial properties should be expected to pay higher rates for the same level of services



conflicts with the stated principles of most municipal taxation structures regarding equity for services rendered<sup>51</sup>.

### Evidence: Sarnia, Lambton County, Ontario

Sarnia's commercial tax structure consists of different categories for different property classes, as well as categories for current occupancy status, excess land, and if the development is considered new construction. A sample of the categories and the respective rates are as follows and provide ideas of options that could be considered in a strategy CBRM might consider:

Property Class	2018 Rates
Commercial - Farmland	0.533933%
Industrial - Farmland	0.533933%
Commercial - Occupied	3.545573%
Commercial - Excess Land	2.481900%
Commercial - Vacant Lands	2.224775%
New Commercial	3.295573%
Parking Lots & Vacant Land	2.224775%
Office Building - Occupied	3.421810%
Office Building (New Construction)	3.171810%
Shopping Centres - Occupied	4.164254%
New Shopping Centres	3.914254%
Industrial - Occupied	4.115531%
Industrial - Vacant Lands	2.675096%
New Industrial	3.865531%
Large Industrial - Occupied	5.411282%

Although having multiple categories increases the complexity of administering commercial taxes, it is worth noting that the rate a large industrial commercial property would be levied in Sarnia is comparable to the rate that all commercial properties in Sydney are currently levied.

### Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<b>Low:</b> The planned development of a new municipal charter will support the required legislative challenges that will be required for additional options regarding commercial rates, however, alignment among municipalities will be required for amendments. The challenges of developing and administering a more	<b>Livability – Moderate:</b> A potential decline in commercial rates will have to be offset through other sources, most likely being residential. Increases to the residential tax burden will negatively influence livability, yet expanding employment opportunities will provide greater benefits to livability conditions.  <b>Business &amp; Policy Environment – High:</b> Improvements to the mandatory costs of doing business will support improving the competitiveness of the business and policy environment. The level of reduction will influence the overall impact, yet any reductions in general rates would likely be welcomed by all businesses.

<sup>51</sup> Kitchen, Harry, Slack, Enid, "Municipal Property Tax Issues in the City of Saint John", August 2017.



<p>robust commercial tax structure, or lowering commercial rates in general, will likely increase the administrative burden and overall complexity of the system.</p>	<p><b>Human Capital – Low:</b> Reducing the tax burden on commercial properties will provide minimal direct benefit to the area of human capital.</p> <p><b>Economic Health – Moderate:</b> Decreasing the mandatory costs of doing business will support the attraction and development of new businesses, which in-turn will support continued improvements to the economic health of the region.</p>
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## Recommendation 8: Explore Applying the Marketing Levy to Airbnb Style Rentals

The marketing levy on hotels was established in 2011 and is currently set at 2%. Since the levy's inception, rental property platforms have grown dramatically, increasing access for both property owners and interested renters. As growth of the industry has continued to influence competition within the hospitality sector, several cities have expanded hotel taxes to include the growing sector. Although the benefit to the municipality would be indirect (proceeds from the marketing levy are distributed to the Cape Breton Partnership), increasing revenues to fund economic initiatives will support long-term objectives.

**Current State:** The marketing levy on hotels was established in 2011 in an effort to fund the economic initiatives of the Destination Cape Breton Association. Since the levy's inception, rental property platforms have grown dramatically, increasing access to property owners and interested renters. The property owners directly benefit from marketing initiatives that are driving tourism, and the additional costs borne by existing hotels contribute to a competitive advantage for property owners leveraging web based rental services.

**Evidence:** Cities across Canada are assessing if the growth of web based applications and the resulting increase in rental properties merit amendments to existing taxation levies. As the popularity of Airbnb style rentals continue to increase, mandatory levies incurred by hotels are justifiably being questioned. The City of Ottawa recently required that all web based rental applications include the same marketing levy that is incurred by local hotels<sup>52</sup>. The services are responsible for collecting and remitting on behalf of property owners at the point of booking.

### Suggestions for Implementation:

1. *Request Amendments to the necessary legislation to include any properties operating in the business of rental properties:* The current legislation is focused on hotels or hospitality businesses with a minimum of 10 rooms. Any properties that are being used as short-term rentals on established sites (i.e. Airbnb, VRBO) should be included in the levy to ensure equitable taxation and that businesses benefiting from increased levels of tourism are contributing to the costs associated with promoting the region.
2. *Notify the various booking platforms to be collected and remitted on behalf of payers:* Initial research intimated that once the legislation is confirmed, notifying representatives of the platforms to include a 2% levy on any properties within Cape Breton will sufficiently track and levy the amended tax.
3. *Create monitoring systems and controls to ensure compliance:* The rental platforms should minimize the administrative burden placed on the CBRM, yet some administrative effort will be required to ensure that both web based platforms and rental property owners are remaining compliant with the amended legislation.

### Ease of Implementation and Impact:

<sup>52</sup> Financial Post, "Airbnb to Collect, Remit Hotel Tax on its Listings in City of Ottawa", July 2018.

Ease of Implementation	Potential Magnitude of Impact
<p><b>High:</b> From initial research, it appears the platforms hosting the service (i.e. Airbnb) are responsible for collecting and remitting the tax at point of sale, significantly facilitating the ease of implementing the levy following amendments to the current marketing levy.</p>	<p><b>Livability – Low:</b> Increased revenues from the marketing levy will provide negligible value to characteristics that influence livability in the region.</p> <p><b>Business &amp; Policy environment – Moderate:</b> Improvements to the equitability of the marketing levy will be appreciated by businesses currently operating hotels and bed and breakfasts. Residents who are currently benefiting from services such as Airbnb will not be burdened with additional administrative requirements as the responsibility for collection and remittance falls on the service provider.</p> <p><b>Human Capital – Low:</b> Increased revenues from the marketing levy can support the development and utilization of local talent to contribute to a renewed marketing initiatives.</p> <p><b>Economic Health – Moderate:</b> Increasing available funds for economic development initiatives through the marketing levy will provide organizations, such as the Destination Cape Breton Association, with additional funds to pursue strategic objectives.</p>

### Recommendation 9: Utilize the Nova Scotia Federation of Municipalities to Work with Other Municipal Governments and the Province on a Strategy to Amend the CAP

At the onset of the viability study, Grant Thornton was informed of the extensive research and debate that has occurred relating to the Capped Assessment Program, and was instructed to focus recommendations on areas that are within the control of the municipal government. The sentiment is completely understood, yet the significance of the CAP and its impact on municipal taxation policy merits inclusion in the recommendations.

**Current State:** As indicated by the PVSC reports, the current difference between the CAP assessed values and actual market values currently amounts to over \$900M, with over 85% of all residential dwelling units currently CAP eligible. As the CBRM assesses potential adjustments to the residential taxation structure, the inclusion of the CAP is a) complicating any amendments, and b) delaying meaningful change as the potential amendments would likely need to be changed again following any changes to the CAP.

#### Evidence: Moncton and Saint John, New Brunswick

The municipalities of New Brunswick formed an organization, *8 Cities One Voice*, to drive change regarding the municipal tax system and the role the provincial government plays in municipal regulations and funding. The organization formalized a plan (Strong Cities, Strong Province) that outlines five key objectives for improving the current situation. The objectives are<sup>53</sup>:

- The implantation of a fair property tax system
- A change to provincial arbitration legislation (police and fire) to consider affordability
- The ability of our cities to generate non-tax derived revenue
- Ability for cities to implement a hotel levy
- Municipal sharing of cannabis revenue

<sup>53</sup> As per the 8 Cities One Voice, Strong Cities Strong Province Report.

## Suggestions for Implementation:

1. *Take a leadership role in organizing representatives from other municipalities within the Nova Scotia Federation of Municipalities:* Much like the *8 Cities One Voice* organization in New Brunswick, the municipalities in Nova Scotia will have greater success in aligning shared goals and objectives among municipalities. If municipal governments don't want to contribute for specific reasons, then the Department of Municipal Affairs can contribute to a resolution.
2. *Formalize and implement a phase-out of the CAP:* The CBRM has already detailed a potential plan to gradually phase out the CAP, acceptance and cooperation from the provincial government and coordination with other municipalities will be required for implementation. Consultations with other municipalities and alignment between the different entities will be critical before approaching the Province with potential alternatives.
3. *Amend proximity rates:* With the projected transfer of wastewater to utilities, potential amendments to the fire services structure and public support for transitioning transit services to the base rate<sup>54</sup>, there wouldn't be justification for continued area rates (aside from hydrant rates which are required to be billed as such by UARB standards).
4. *Standardize urban and rural rates:* Assess if there are any significant service lapses in specific areas that would prevent the standardization of a residential rate for the CBRM.
5. *Lower the base rate to align with the phase out of the CAP:* As the CAP is phased out, gradually lower the base rate to reflect the changes in assessed values.
6. *Slightly increase the base rate to provide increased annual net benefit to the CBRM:* A marginal increase to municipal rates, something that hasn't occurred since amalgamation, would provide the CBRM with an annual increase in total revenues that isn't dependent on external factors, improving the planning and budgeting aspects of municipal operations.

## Ease of Implementation and Impact:

Ease of Implementation	Potential Magnitude of Impact
<p><b>Low:</b> Phasing out the CAP program will require acceptance and coordination with the Province, as well as other municipal regions. Previous discussions appear to have not produced any meaningful change to date, as the considerations have to be made regarding the potential impacts and best methodology to phase out the program so as to limit the financial impact.</p>	<p><b>Livability – Moderate:</b> Increases to residential taxes will negatively influence livability, however the benefit of a marginal increase to taxes, something that hasn't occurred since amalgamation, will provide the municipality with a much needed boost to reoccurring revenues while not dramatically increasing the burden experienced by residents.</p> <p><b>Business &amp; Policy environment – Moderate:</b> Slightly increasing the residential tax burden will provide additional revenues for municipal services and infrastructure while not increasing mandatory costs to businesses.</p> <p><b>Human Capital – Low:</b> Amendments to the CAP would not directly influence the level of human capital in the CBRM, yet improving the equity of taxation for new developments could support attracting new residents to the region.</p> <p><b>Economic Health – Moderate:</b> Removing the CAP could influence the level of real estate transactions currently taking place by removing</p>

<sup>54</sup> As per the CBRM Budget 2017-18 Public Survey.

	the disincentive to move or renovate properties, supporting an increase in activity in the sector.
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1) Discussions with the Province continue to produce little to no meaningful change	
Anticipated Problem	The CAP has been a contentious issue for years, and the process of ending the program would be complicated and has the potential to result in financial challenges for residents currently benefiting from the program. It appears previous discussions with the province have not produced any meaningful change to date, even though municipalities throughout Nova Scotia appear to be in agreement that the program is producing unintended economic consequences.
Mitigation Strategy	Representatives from the CBRM have already completed a tremendous amount of work to date and continue to work with the Province to make progress on a plan to remove the program in the least disruptive way possible. The inclusion of other municipalities in planning discussions would likely support progressing toward a resolution that satisfies all parties.

## Appendices

### Appendix A: Framework References

1. The Conference Board of Canada, “Achieving Sustainable Prosperity”, April 2015.
2. Marshall, John A., Douglas, David J.A., “The Viability of Canadian Municipalities: Concepts and Measurements”, August 1997.
3. Atlantic Provinces Economic Council, “Explaining Nova Scotia’s Economic Performance: What Do We Know?”, March 2014.
4. Municipal Benchmarking Network Canada, “MBNCanada Performance Measurement Report”, 2017.
5. Canadian Infrastructure Report Card, “Informing the Future”, 2016.
6. Kitchen, Harry and Slack, Enid, “Municipal Property Taxation in Nova Scotia”, April 2014.
7. City of Saint John, “Population Growth Framework”, 2017.
8. Youthfulcities 2019 Urban Work Index, “Best Cities for Youth to Work in Canada”, 2019.
9. United Nations Industrial Development Organization, Finance Center For South-South Cooperation, “Bridge for Cities”, August 2017.
10. City Network Along the Silk Road, Global Urban Competitiveness Report, 2017.
11. Dixon, J.Micheal, “A Smart Approach to Fixing Cities’ Problems”, Harvard Business Review, April, 2013.
12. Macomber, John D., “Building Sustainable Cities”, Harvard Business Review, July 2013.

### Appendix B: Future Projections Model

#### Approach and Methodology

#### Scenario 1: Reference (Status Quo) Scenario

##### Key influencing variables:

1. Historic growth/decline rate in population between 2011 and 2016
2. Births to fertile population ratio

For Status Quo scenario, the total population is forecast to decline at the historical rate for the next ten (10) and twenty (20) years.

It is assumed that each cohort or age bracket (e.g. 0-4 years or 5-9 years) will continue to exhibit a growth/decline trend similar to that between years 2011 and 2016.

1. The net growth rate for each cohort between 2011 and 2016 is used to determine an annualized compounded growth rate. This annualized growth rate represents the net growth/decline rate based on number of births, survivability and net migration.
2. It is assumed that for each age cohort, there is a uniform distribution of population among all age categories (e.g. for cohort 0-4 years, it is assumed that each age category i.e. age 0,1,2,3, and 4 has 20% of the total population of that entire cohort).

3. For each year from 2017 onwards, 80% of the total population of the preceding year is included in that respective year. Based on the aforementioned assumption, a certain growth/decline rate is applied to that 80% population.
4. When 80% of the preceding year's population is carried over to the current year, only survivability and net migration are accounted for and number of births in that year are not accounted for. Therefore, the number of births for each year is calculated independently.
5. Based on the actual births in 2014, 2015 and 2016 in CBRM, a '*number of births to fertile population*' ratio is determined. The fertile population is assumed to be in the age brackets starting from 15-19 to 40-44.<sup>55</sup> A mean (of 2014, 2015, and 2016) of these ratios is used for calculation later.
6. To determine the number of new births for each year from 2017 onwards, the number of births to fertile population ratio is multiplied by the projected fertile population of that respective year.

## Scenario 2: Optimistic Growth

### Key influencing variables:

Of the three primary determinants discussed above, only net migration variables are assumed to be directly influenced based on the following factors:

1. Commercial growth and development due to planned capex for port development (Sydney Cruise extension), Waste-water projects and road infrastructure projects
2. Increase in tourism leads to higher economic activity from external sources and higher awareness
3. Higher retention of university population based on improved employment opportunities
4. Increased development of recreational properties
5. Improved entrepreneurship
6. Improved labour pool and knowledge base
7. Increased international immigration

### Impact on projections model:

Influencing factors	Years of impact
<ol style="list-style-type: none"> <li>1. Increase in tourism leads to higher awareness, leading to higher immigration required for primary (e.g. hotels) and supporting/service industries (e.g. restaurants)</li> <li>2. Higher retention of university population based on improved employment opportunities</li> <li>3. Improved entrepreneurship and employment opportunities</li> <li>4. Improved labour pool and knowledge base</li> </ol>	2024 and onwards
<ol style="list-style-type: none"> <li>1. Commercial growth and development due to planned capex for port development</li> <li>2. Increased international immigration</li> </ol>	2023 and onwards

<sup>55</sup> Ohio Development Services Agency, Population Projections Methodology, September 2018.



Beyond these influencing factors, which will translate to a higher rate of growth or lower rate of decline vis-à-vis the reference scenario, certain factors such as increased capex will have a direct quantifiable impact on the population of CBRM.

Every \$100 million of infrastructure investment would boost job growth by 1000 full time equivalents (FTE's)<sup>56</sup>. An estimate based on the nearest hundred people is assumed for the purposes of the projection.

*Assumptions and impact of capital investment on CBRM's population.*

- Assume that 40% of the new FTEs created would be taken up by existing residents of CBRM.
- The remaining 60% FTEs would be taken up by new individuals from outside of CBRM. Of these migrant workers, we assume that 50% will remain in CBRM and would contribute to the total population of CBRM.
- The remaining workers would stay in CBRM only for the tenure of the capital investment and would not have a prolonged impact on CBRM's population (e.g. while indirect and induced impacts will likely occur, particularly in service and accommodation industries, this population group is not anticipated to impact CBRM's residential tax revenues, nor CBRM's municipal expenditures materially). Therefore, this group is not included in CBRM's full time population forecast.
- The assumed FTEs created based on the capital forecast will be sourced in the same method throughout the forecast period (i.e. 50% of individuals who remain in CBRM and who become existing residents, will be part of the existing population of CBRM that takes up 40% of the new FTEs created).
- Each new FTE will impact the population in the year subsequent to year of capital investment
- Assume an equal (50/50) split of males and females for these FTE's at every stage of top-down analysis
- It is assumed that currently CBRM incurs \$30M as annual capital expenditure (capex). Going forward, CBRM has projected additional capex from year 2020 to year 2028.
- The incremental amount of projected annual capex was analyzed to ascertain the impact on total number of jobs and consequently number of people that become residents of CBRM
- In essence, ~\$168M of incremental capex over eight (8) years (2020-2028) will lead to **1,684 FTE jobs**. This is likely to add **505** people to CBRM's total population post the tenure of the capital investment.

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 ...
<b>Growth Factors</b>										
<b>Projected Capex</b>	\$59M	\$52M	\$50M	\$62.5M	\$50M	\$50M	\$50M	\$50M	\$50M	-

<sup>56</sup> Economy Policy Institute, "Potential macroeconomic benefits from increased infrastructure investment", July 2017

<b>Incremental Capital Investment</b>	\$25.10M	\$18.10M	\$16.10M	\$28.62M	\$16.1M	\$16.1M	\$16.1M	\$16.1M	\$16.1M	-
<b>Impact on employment (FTE's)</b>	+251	+181	+161	+286	+161	+161	+161	+161	+161	-
<b>Incremental impact on full time population (60% of FTEs, 50% remain)</b>		75	54	48	86	48	48	48	48	48
<b>*Cumulative impact on CBRM's population</b>		75	130	178	264	312	360	409	457	505

*\*The cumulative impact on CBRM's population does not take into account new births due to newly added population. Including new births will further impact the total population but only insignificantly.*

### Scenario 3: Pessimistic growth

#### Key influencing variables:

Of the three primary determinants discussed above, only net migration variables can be directly influenced for future projections based on the following factors:

1. Low funding for mandatory capex and critical infrastructure , leading to higher outmigration of young population
2. Accelerated unemployment rate
3. Accelerated mortality rate due to higher weighted senior age group
4. Increases to cost of living compared to regional alternatives
5. Macro-level disruptive challenges impacting economic and commercial development
6. Lower levels of fertile population
7. Real estate risks deriving from increases in number of vacant or abandoned homes
8. Low private investment due to perceived risks and lack of aligned human capital

Subsequent to projecting population for all scenarios, the following projected variables were determined to analyze the relationship between population and the respective variables

1. Revenues (Residential, Commercial, Provincial, Alternative)
2. Infrastructure deficit
3. Capital spending
4. Number of dwelling units
5. Tax burden

A key output of the population projections will be to understand the impact on revenues and expenditures for all three (3) scenarios.

#### Approach to determine revenues:

1. Determine current relationship between dwelling units and population.  
Population/ (Dwelling Units \* Occupancy Rate) = Population to Dwelling Units ratio  
For Occupancy %, ratio of Collected taxes/Uncollected taxes was used as a proxy.
2. Use the Population to Dwelling Units ratio to project number of active dwelling units.
3. Use Residential Tax Revenue/Dwelling Units ratio to project total residential revenues (i.e. average dollars of collected residential tax revenue per dwelling).
4. Use historical Residential Tax to Commercial Tax ratio to project commercial tax revenues.
5. Other sources of revenues such as Grants and Equalization payments are assumed to be constant for these projections.

#### Approach to determine infrastructure deficit:

##### Key influencing variables:

1. Current infrastructure deficit (2019)
2. Change in population
3. Operational surplus/deficit
4. Annual rate of depreciation

##### Approach:

- It is assumed that CBRM had \$34.70M in Infrastructure Deficit (mandatory) at the start of year 2019 (*Refer to Appendix 'A' of Current State Analysis*)
- In scenarios where CBRM has operational surplus, that amount is assumed to fund the infrastructure deficit and is therefore deducted from the cumulative deficit amount.
- Annually, a depreciation rate of 7.36%<sup>57</sup> is applied to the cumulative infrastructure deficit amount.

## Appendix C: Nominal Budget Forecast: An Illustrative Impact on Operating Budget and Infrastructure Deficit

**Table 1C: Reference Scenario: Operating Budget**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$141.06	\$139.86	\$138.65	\$137.41	\$136.15	\$134.84
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(5.46)	\$(6.66)	\$(7.87)	\$(9.11)	\$(10.37)	\$(11.68)

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$133.48	\$132.06	\$130.58	\$129.03	\$127.40	\$125.70	\$123.93	\$122.07	\$120.14	\$118.14
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52

<sup>57</sup> Stats Canada, "List of depreciation rates under new Asset Code Classification", November 2015

Surplus/Deficit	\$(13.04)	\$(14.46)	\$(15.94)	\$(17.49)	\$(19.12)	\$(20.82)	\$(22.59)	\$(24.45)	\$(26.38)	\$(28.38)
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**Table 2C: Reference Scenario: Infrastructure Deficit**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.97	\$72.98

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Infrastructure Deficit	\$78.35	\$84.12	\$90.31	\$96.96	\$104.10	\$111.77	\$120.00	\$128.83	\$138.32	\$148.50

**Table 3C: Pessimistic Scenario: Operating Budget**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$140.82	\$139.21	\$137.18	\$134.76	\$131.98	\$128.63
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(5.70)	\$(7.31)	\$(9.34)	\$(11.76)	\$(14.54)	\$(17.89)

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$125.23	\$121.69	\$118.34	\$115.19	\$112.69	\$110.71	\$109.01	\$107.39	\$106.21	\$105.43
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(21.29)	\$(24.83)	\$(28.18)	\$(31.33)	\$(33.83)	\$(35.81)	\$(37.51)	\$(39.13)	\$(40.31)	\$(41.09)

**Table 4C: Pessimistic Scenario: Infrastructure Deficit**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.97	\$72.98

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Infrastructure Deficit	\$78.35	\$84.12	\$90.31	\$96.96	\$104.10	\$111.77	\$120.00	\$128.83	\$138.32	\$148.50

**Table 5C: Optimistic Scenario: Operating Budget**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues	\$145.99	\$144.71	\$143.47	\$142.26	\$142.96	\$144.02	\$145.43	\$147.23	\$149.41	\$151.28
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$(0.53)	\$(1.81)	\$(3.05)	\$(4.26)	\$(3.56)	\$(2.50)	\$(1.09)	\$0.71	\$2.89	\$4.76

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Total Revenues	\$153.27	\$155.21	\$157.27	\$159.44	\$161.57	\$163.82	\$166.02	\$168.34	\$170.61	\$173.01
Total Expenditures	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52	\$146.52
Surplus/Deficit	\$6.75	\$8.69	\$10.75	\$12.92	\$15.05	\$17.29	\$19.50	\$21.82	\$24.09	\$26.49

**Table 6C: Optimistic Scenario: Infrastructure Deficit**

Year (In \$ Million)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Infrastructure Deficit	\$38.50	\$41.34	\$44.38	\$47.65	\$51.16	\$54.93	\$58.97	\$63.31	\$67.22	\$69.07

Year (In \$ Million)	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Infrastructure Deficit	\$69.04	\$66.88	\$65.27	\$63.15	\$59.48	\$54.17	\$50.73	\$46.09	\$40.11	\$32.72

## Appendix D: Documents Reviewed and Cited

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